

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday May 30, 2007 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Senator Chris Butters, Ted Boyer, Jim Kesler, Tanya Henrie, Steven Dickson, Douglas Richins

Excused

Representative Fred Hunsaker

Absent

Senator Brent Goodfellow, Steve Wrigley, Gretta Spendlove, Norm Tarbox, Robin Riggs

Visitors

Senator Mark Madsen, Doug, Legge – Corix Utilities

Welcome and Introductions

Jim Kesler, Vice Chair conducted the meeting.

Approval of Minutes:

The minutes for the April 25, 2007 meeting were not approved as there was not a quorum.

Water and Waste Water Management Privatization - Corix Utilities – Doug Legge

Mr. Legge from Corix Utilities presented private sector options for the management of city water and waste water. A copy of his power point presentation is attached. Corix has approached the following cities in Utah: North Ogden, Eagle Mountain and Spanish Fork. Corix is typically finding success in small to medium sized towns. Senator Madsen stated, “As a rate payer in Eagle Mountain I would like to see a true comparison between the privatized model and the city financed and operated model.” Senator Butters said, “This appears to be a legitimate option for cities to evaluate. They ought to take a look at it.” Mr. Kesler would like to have this discussion continued in the July meeting. Mr. Legge will suggest others to come to the July Meeting. i.e. Ken Bullock (League of Cities and Towns), the mayor of Eagle Mountain and perhaps someone from Spanish Fork city.

Other Business

The Legislative Competition and Privatization Committee will be meeting all day on June 6, 2007. (note the date of this meeting was later changed to June 27th).

June Meeting

The next meeting will be held on June 27, 2007 at 10:00 a.m. Mary Tullius, the Director of the Division of Parks and Recreation will come to this meeting and make a presentation on privatization efforts in that division.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday April 25, 2007 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Senator Brent Goodfellow, Senator Chris Butters, Ted Boyer, Jim Kesler, Tanya Henrie, Gretta Spendlove, Steven Dickson, Steve Wrigley, Douglas Richins

Excused

Representative Fred Hunsaker

Absent

Norm Tarbox, Robin Riggs

Visitors

Leif Elder – Research and General Council

Welcome and Introductions

Senator Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Tanya Henrie motioned for approval of the minutes of the meeting held March 28, 2007. Gretta Spendlove seconded that motion. The minutes were unanimously approved.

Leif Elder – Office of Legislative Research and General Council

Information on the Legislative Government Competition and Privatization Sub-Committee

At the chair's request, Leif Elder who staffs the recently authorized Legislative Government Competition and Privatization Subcommittee came to the board meeting and provided information about the subcommittee. He passed out a letter dated 17 April 2007 (copy attached) defining the proposed study area for the subcommittee. Mr. Elder said that the request to establish the subcommittee was made to the Legislative Management Committee by the Business & Labor Interim Committee and the Revenue and Taxation Interim Committee. The board members suggested to Mr. Elder that the subcommittee may want to survey the agencies to learn of the areas that are currently privatized. Senator Goodfellow suggested that "This is the Place Foundation" and the "Fairpark" are two areas that the state privatized in the past that should be evaluated to see if those functions should be brought back under state management. The board members also asked Mr. Elder to communicate to the subcommittee that the Privatization Policy Board is open to suggested items that the subcommittee would like the board to evaluate. Senator Goodfellow is an appointed member of the subcommittee and will take the message to the subcommittee that the board is open and willing to work closely with them and assist in any way. Mr. Elder will communicate the schedule for the subcommittee meetings to Mr. Richins who will inform the board members. Senator Butters suggested that the board attend the first legislative subcommittee meeting.

Prioritization of Issues and Agencies to Evaluate

Mrs. Spendlove suggested we create a report of documenting what is current privatized in state agencies, if the Legislative subcommittee doesn't. Mr. Richins indicated that many years ago the board surveyed agencies and created that type of report. It was decided to invite agencies to meet with the board and report on their successes and failures with privatization. It was decided that as agencies meet with the board they should be prepared to respond to the following areas:

1. What has been privatized in this agency?
2. Are there any potential areas for privatization you are looking at in the future?
3. What have their counterparts in other states privatized that Utah hasn't tried?
4. What has the agency tried to privatize that didn't work.

Following discussion the board decided to review the following agencies/issues in future meetings:

Agencies / Issues to Review in Future Meetings

1. Division of State Parks & Recreation
2. Water Operations (Secondary and Wastewater) (from Senator Buttars)
3. State Fair Park
4. UDOT – General Overview
5. Reception Centers
6. Dept. of Workforce Services
7. Public Safety
8. Attorney General's Office
9. Department of Technology
10. Department of Human Services
11. Utah Transit Authority
12. Division of Motor Vehicles

The State Hospital and Criminal Justice (Department of Corrections) were also placed on the list to evaluate but were put on hold because the board to see what the Government Competition and Privatization Subcommittee do with them.

May Meeting

The next meeting will be held on May 23, 2007 at 10:00 a.m. It was decided to invite Mary Tullius the Director of the Division of Parks and Recreation come to this meeting.



<http://le.utah.gov>

Utah State Legislature

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April 17, 2007

President John L. Valentine
Speaker Greg J. Curtis
Legislative Management Committee
State Capitol
Salt Lake City, Utah

Gentlemen:

This letter is in response to the Legislative Management Committee's request at its March 27 meeting that the chairs of the Government Competition and Privatization Subcommittee develop a proposed study outline for the 2007 interim. As chairs, we propose the Government Competition and Privatization Subcommittee study:

- **Governing Public Policies:** establishing legislative policies that could govern unfair competition by government with the private sector and privatization
- **Evaluation Procedures:** evaluating the functions and authority of the Privatization Policy Board to see how they might be modified to create a more effective procedure to implement the policies governing government competition with the private sector and privatization
- **Policy Implementation Issues:** applying potential policies and procedures to certain areas of business such as reception or conference centers

As time permits, the Subcommittee may also examine concerns of interest groups, how other states have addressed government competition with the private sector and privatization, and potential privatization proposals.

Thank you for your consideration of this proposed study outline. Please contact us if you have any questions about our study priorities.

Sincerely,

Sen. Howard A. Stephenson
Senate Chair

Rep. Craig A. Frank
House Chair

Government Competition and Privatization Subcommittee Membership

Senate Members

Howard Stephenson, Chair

Brent Goodfellow

Wayne Niederhauser

House Members

Craig A. Frank, Chair

Tim M. Cosgrove

Carl W. Duckworth

Kevin S. Garn

Michael T. Morley

Mark W. Walker

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Wednesday March 28, 2007 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Senator Chris Buttars, Representative Fred Hunsaker, Ted Boyer, Jim Kesler, Tanya Henrie, Gretta Spendlove, Steven Dickson, Steve Wrigley, Douglas Richins

Excused

Senator Brent Goodfellow

Absent

Norm Tarbox, Robin Riggs

Welcome and Introductions

Jim Kesler, Vice Chair conducted the meeting.

Approval of Minutes:

Mr. Dickson motioned for approval of the minutes of the meeting held January 3, 2007. Senator Buttars seconded that motion. The minutes were unanimously approved.

Presentation by Steve Wrigley on "Reinventing Government"

Mr. Wrigley presented an informative PowerPoint presentation on "Reinventing Government". He also distributed the presentation as a handout together with another handout titled "White Paper on Privatization". There was a discussion on the challenges in agencies in protecting their turf and how to break this down and facilitate cooperation. Mr. Wrigley suggested that we need to study and evaluate governance not just whether something should be privatized. His recommendations are on page 14 and 15 of his Power Point presentation. (Both of the handouts are attached to these meeting minutes.)

Discussion Items for Future Meetings

Mrs. Spendlove would like to see a presentation on the pitfalls and benefits of privatization.

April Meeting

It was suggested that we utilize the meeting going over a list of agencies to consider inviting to come and review their agency privatization efforts with the board, and also review an effective methodology to approach the agencies.

The next meeting will be on April 25, 2007 at 10:00 a.m. in the offices of the Division of Purchasing - 3150 State Office Building, Capitol Hill, Salt Lake City.

White Paper on Privatization

by Ellen J. Dannin, Professor of Law

Most of what we hear about privatizing public services these days carries the same simple message -- privatizing is good. More sophisticated stories explain that the reason privatizing is good is that only the private sector can deliver a quality product at the lowest possible price.

However, like most things in life, privatization is more complex than this. Whether to have certain public services and how to deliver them are decisions with profound impacts on all of us. As San Diego, California, and the country move towards privatizing, it's time has we members of the public learn more about this issue or risk forfeiting our role in this democracy.

This paper takes a look at some of the most commonly held beliefs about privatizing public services. Some of what you read here may surprise you or raise issues you hadn't seen discussed before.

1. *Governments are broke because public services and tax dollars have been mismanaged.*

Here are some important reasons governments are finding themselves with budget problems these days.

- One important reason governments have been struggling with deficits during the past few years is that they have lost major sources of revenue. One important source of lost revenues has been ever lower tax rates on those who earn the most and on corporations. Lowering taxes by a percentage here or there doesn't mean much for most of us, but when tax breaks are given to corporations and the very rich the money lost is enormous. For each 1% a millionaire's tax rate is lowered, the government can lose \$10,000 in taxes.

Over the past 15 years, we have seen the tax rate on wealthiest lowered again and again. Each time, revenue is lost. If any of us kept having our incomes lowered each year, we'd have trouble paying the bills pretty soon. Governments are having the same problem.

It is estimated that the richest 1% of the population has received over \$80 billion in tax cuts since 1977. While this has happened the amount of wealth which has flowed to the richest has increased at enormous rates.

The share of corporate taxes as a percentage of federal revenues has declined from 23% in 1960 to 9% in 1990. Corporate property taxes show the same decline. The corporate share of local property tax revenues has dropped from 45% in 1957 to 16% in 1987.

Corporations are not paying lower taxes because of declining profits. Corporate profits have soared. An important part of those profits is money that once would have gone to support government services we all would benefit from. One important justification for those tax breaks was to give corporations more money to invest in creating good jobs. Instead of investing the money to create jobs, corporations have gone spending sprees to buy each other. Others have taken the money and used it to finance moving work out of

- First, this argument assumes that the private sector is free from these problems. Ask whether this belief is based on a private sector which is uniquely competent, thrifty, and honest or one that has managed to escape scrutiny. If the same standards of judgment were used, it is obvious that the private sector does not escape problems of waste and fraud. The past decade has seen many corporate leaders sent off to prison for corruption and misusing their positions.

If you have trouble thinking of any, here is a list to get you started. Beech-Nut sold sugar water as infant apple juice. E.F. Hutton pled guilty to 2000 felony counts in 1985. The Exxon Valdez spilled 240,000 barrels of oil into Prince William Sound.

Remember the S&L fiasco -- the one we taxpayers are still paying for. The government has had to come in to bail out the private sector. General Motors' mismanagement led it to lose billions each year and to layoff tens of thousands of employees. Even in the face of the misery management's failures had cause, it kept paying huge salaries to the very officers whose decisions brought about this disaster.

There is no reason to think that these problems will not arise in the case of subcontracted public services.

- Robert Monks (Republican politician) and Nell Minow (a corporate lawyer) begin their book on problems with the American corporate structure, *Power and Accountability* with a story of driving through the woods in Maine and coming upon industrial discharge which was killing the plants along the river. They comment:

Who wants this to happen? Not the owners of the company, the shareholders, not the managers or employees, not the community, not the government. I could not think of anyone connected with the company emitting the effluent who wanted the result I saw. This was an unintended consequence of the corporate structure. The very aspects of the company's design that made it so robust, so able to survive changes in leadership, in the economy, in technology, were the aspects that led to this result -- pollution that no one wanted, and everyone would pay for.

They are friends of corporations and yet they think that American corporate structure is ill-equipped to stop practices which make profits but which harm society, even in some cases in which the law is violated.

- Unfortunately, private corporate mistakes don't stay private. Hundreds of thousands of workers found that out when they were laid off. The lucky workers -- the ones who escaped layoffs are overworked and under stress. Communities have been hit as local business had to close for lack of customers. The roads, sewage systems, and other public services which were built to serve corporations who decided to seek higher profits elsewhere are now useless. None of these common corporate actions should make us comfortable with leaving the delivery of public services to the private sector.
- Yes, there are a few well-known examples of government overspending, such as the military's purchase of toilet seats and wrenches. These examples are notorious but do not paint an accurate picture of government spending. In any case, the public sector has a

be added in are services such as oversight and supervision, use of government-paid facilities or equipment, or outright subsidies. Also included in the cost must be lost revenues if the privatizer is allowed to keep the fees that would otherwise be returned to the government. A good example of the latter is the way Resolution Trust Corporation has been allowed to operate, by taking a percentage of money recouped.

- The biggest supporters of privatization are really saying that greed is the strongest and most reliable of human feelings. Is this a view you endorse? Should government be promoting greed as a building block of society?

What is the impact of greed? EAI lost its contract with the Baltimore School District because it would not agree to cut its profit when the school needed to address a budget shortfall. Recently, Warner-Lambert pled guilty for hiding faulty procedures in making drugs and agreed to a \$10 million fine. DuPont was fined \$115 million for concealing evidence in a trial involving its fungicides. Executives recently were convicted of concealing information on using faulty heart catheters during surgery. Where there is money to be made there is temptation, and that temptation is expensive for all of us. Each year we face the impact of \$200 billion of white collar fraud.

We're told that greed as a motivator is the engine that creates jobs and makes the economy work. In fact, what we see is greed leading to mergers, a focus on short term profits, and layoffs of thousands of workers each year. This year layoffs are up 45%.

Most of us are motivated by many things other than greed. Who among us would choose money over the life and happiness of a loved one? Most of us feel emotion such as love of community and nature and pride in our jobs. These are the very values that motivate many who go into public service. If the greed promoters are right in their dismal view of humans, why does anyone choose to become a teacher or a public health worker. Ask if we would want a society made up only of Wall Street traders.

Would we rather have public services provided by the greedy or by people committed to the value of public service.

- People motivated by greed need to be watched, especially when they have access to public money, information, and property. Overseeing private contractors to ensure there is no fraud or waste adds expense and is a very inefficient way to deliver public services. Yet this expense has to be borne to ensure that the contractor performs the job and to avoid being vulnerable to the unscrupulous. Overseeing subcontractors means having to retain skilled technicians or managers who can evaluate their actions. Had the services not been subcontracted, these skills would be used directly in performing the job.
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- In San Diego, the school bus service provided by public employees has been so much more efficient and less expensive than private bus services that all subcontracted transportation is being taken in-house. This story is not unique. Public workers can provide better service and get better wages while costing the public less. Unions have played an important role in this San Diego success story.

4. *It's impossible to get rid of bad public employees, so they don't care about their jobs.*

to this sort of danger. The EAI story, however, is not an aberration. This is the normal way American companies and the free enterprise system operate.

- Stock market manipulation is not the only private sector problem that could endanger providing public services. The rate of corporate bankruptcies has been high over the past few years. If a company that is supposed to be providing public services goes bankrupt, how will the service be maintained?
- Many public sector workers have lost their jobs as federal, state and local governments have tried to cope with the lost revenues. Cutting jobs has not meant cutting out the work those people once did. Those who have remained have seen their workloads increase. For some the increase has been so great they are unable to perform all their new duties and suffer from burnout and frustration.

For the public this may appear to be incompetence or a bad attitude. Unfortunately this feeds the impression that the public sector is incompetent. The root causes, however, are insufficient support, and this will remain whether or not the public or private is the provider.

- Privatized public services may also be shut down by strikes. Private sector employees have a right to strike.
- All too often the discussion about privatization comes down to dollars paid or saved. Price is not the only consideration where public services are concerned. Other public values may be more important, such as quality of service, reliable availability and wide access.

To put it more concretely, think of the CDC stepping in to stop a potential epidemic of Hantavirus or encephalitis. None of us would have wanted the CDC not to investigate or provide services designed to stop the diseases from spreading to those too poor to pay. We all benefitted by having a stable service available quickly and without regard to price. Who could put a price on stopping an epidemic quickly? Other public services are similarly difficult to put a price tag on.

When it comes to mailing a letter, if I live in a city and can get a private contractor to deliver all my in-city mail at less than first class postage, I might think that's a pretty good deal. I may think less of it if I have to pay the full cost of delivery to my mother who lives across the country up a mountain down a dirt road. By paying more for my letters in the city, it's true I subsidize other letters. On the other hand, the system works well when provided on this large national scale. With public service, the whole is greater than the sum of its parts.

If mail service gets divided up by competing subcontractors, the advantages of a national service -- a service that helps knit us together as a people -- will be lost. Here, cost is not the most important value; equity and access to service on a national basis is.

- Information is a public service we don't often think about. The government collects and maintains a great deal of information. Some of it is confidential. Should a subcontractor or a series of subcontractors have access to this information? Under these circumstances,

Every time we take an elevator, buy food, or eat a meal in a restaurant we can feel safer because we know that government experts have inspected what goes on behind the scenes that we can't see. The state makes certain that people who provide important services, such as our car mechanics, are licensed and competent to do their jobs.

We receive weather reports and know that disaster relief is available if needed. We have roads to drive on thanks to public services. Airplanes are guided in by air traffic controllers.

It's hard to imagine how each of us as an individual could afford to buy these things. It's also easy to see that we each benefit just by having these available, even if we never use them. Only by pooling our tax dollars are we able to provide for our collective good.

- There are well-known cases in which the government has contracted out certain services only to find that when the contract ends, the contractor refuses to return the government resources they were allowed to use in the first place.

7. All the studies show that privatization is better.

- First, the facts of life. Where do studies come from? Who are the experts who made these findings?

If you look behind the surface you'll see that a lot of what we "know" about privatization is mere puffery. Groups such as the Reason Foundation and the National Council for Public Private Partnerships (formerly the Privatization Council) have spent a lot of time and money convincing the public that privatization is better. When they issue their reports or sit on panels or are quoted by the news media they are basically just making commercials for their product: private takeover of community services.

What do these statements and studies say. If you read the paper -- what they release to the public -- you hear stories about the future impact of privatization. They talk about how much money they think government will save if it privatizes particular projects and how much better the services will be. You see very few follow-up stories on what has really happened.

There's at least some reason to wonder how certain they feel about their own data. Recently many of these privatizers fought vigorously against legislation in the District of Columbia, which required that, before any public service was subcontracted, there had to be proof that there would be at least 10% savings. Why did they fight so hard? Surely if they believe what they say they would not object. Ten percent is such a small amount that it should be easy to prove. Despite this, the pro-privatizers have fought vigorously against the law and for a system requiring no proof to back up whatever they want to claim.

This is not the only gap between what they say and what they do. If you read what these groups send out to their constituents -- companies thinking of going into the privatization business -- you don't see talk about the public interest. The focus is on Profit. When the word "Profit" appears in their publications, you see it in boldface and large type.

They try to create a sense that privatizing is something good. The National Council for

- increased discrimination against minorities and women
- loss of government control and sovereignty
- lost constitutional and other legal rights
- decreased efficiency as a result of difficulty monitoring and administering contracts
- loss of accountability and control
- lost infrastructure
- increased corruption, bribery, kickbacks, bid-rigging, campaign donations, low-ball bids, and contractor bankruptcy
- higher direct costs or hidden costs to pay for the loss of pensions and benefits of public employees
- increased conflict, strikes, grievances, and arbitrations

The Hebdon report found:

In conclusion, we found privatization to be, at best, a disruptive, socially destabilizing, and ultimately harmful method of cost saving. At its worst, privatization can actually increase costs, lower the quality of services, reduce public accountability, and marginalize citizen involvement in the democratic process. ... The rational solution is to seek creative alternatives to the way services are currently provided by improving the utilization of the existing workforce. The practical answer, we believe, can be found in fundamental reform of public sector work process through dialogue, discussion, and negotiations. This is the challenge for politicians, management officials in the public sector, public employee unions, and employees.

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REINVENTING GOVERNMENT

Presented by:

Steven M. Wrigley, M.A., CPM

Department of Human Services

Based in part on the book titled

Reinventing Government

By David Osborne & Ted Gaebler

Privatization vs. Traditional Government

- ◆ The question may be more complex then, “When is is appropriate to Privatize Government functions?”
- ◆ Maybe the role of this committee is to also encourage a Paradigm Shift in Traditional Government to more of an Entrepreneurial model.

Common Beliefs For Privatizing Public Services

- ◆ Governments are broken because public services and tax dollars have been mismanaged.
- ◆ Government spending is fully of incompetence, waste and fraud. Privatizing would eliminate this problem.
- ◆ Market forces and competition ensures that the private sector delivers a higher quality service at a lower cost than the public sector.

Common Beliefs For Privatizing Public Services

- ◆ It's impossible to get rid of bad public employees, so they don't care about their jobs.
- ◆ Private corporations make more efficient use of funds and eliminate waste.
- ◆ Money paid in taxes would make us all richer if spend in the private sector.

Cornell University Hebron Report Findings

“We found privatization to be, at best, a disruptive, socially destabilizing, and ultimately harmful method of cost savings. At its worst, privatization can actually increase costs, lower the quality of services, reduce public accountability, and marginalize citizen involvement in the democratic process.”

Cornell University Hebron Report Findings

“The rational solution is to seek creative alternatives to the way services are currently provided by improving the utilization of the existing workforce. This practical answer can be found in fundamental reform of public sector work process through dialogue, discussion, and negotiations.”

Prerequisites to Privatization

- ◆ There needs to be a competitive marketplace.
- ◆ There needs to be a significant number of bidders to ensure competition.
- ◆ There needs to be back up should the chosen provider fail.
- ◆ The goods or services to be provided must be able to be clearly defined.
- ◆ Minimal risk to the public and government should services be interrupted.

Entrepreneurial Government

- ◆ Public sector institutions that habitually and constantly use their resources in new ways to heighten both their efficiency and their effectiveness.
- ◆ The kinds of governments that developed during the industrial era, with their sluggish, centralized bureaucracies, their preoccupation with rules and regulations, and their hierarchical chains of command, no longer work very well.

Principles of Entrepreneurial Governments

- ◆ Promote competition between service providers, and empower citizens by pushing control out of the bureaucracy, into the community.
- ◆ They measure the performance of their agencies, focusing not on inputs but on outcomes.
- ◆ They are driven by their goals – their missions – not by their rules and regulations

Principles of Entrepreneurial Governments

- ◆ They redefine their clients as customers and offer choices between schools, between training programs, between housing options.
- ◆ They prevent problems before they emerge, rather than simply offering services afterward.
- ◆ They put their energies into earning money, not simply, spending it.

Principles of Entrepreneurial Governments

- ◆ They decentralize authority, embracing participatory management.
- ◆ They prefer market mechanisms to bureaucratic mechanisms.
- ◆ They focus not simply on providing public service, but on catalyzing all sectors – public, private, and voluntary – into action to solve their community's problems.

A Third Choice

- ◆ Most of our leaders still tell us that there are only two ways out of our repeated public crises: we can raise taxes, or we can cut spending.
- ◆ We do not want less education, fewer roads, less health care. Nor do we want higher taxes.
- ◆ We want better education, better roads, and better health care, for the same tax dollars.

An Alternative To Traditional Government

- ◆ To melt the fat of government, we must change the basic incentives that drive our governments.
- ◆ We must turn bureaucratic intuitions into entrepreneurial institutions, ready to kill off obsolete initiatives, willing to do more with less, eager to absorb new ideas.

Government vs. Governance

- ◆ Our problem today is not too much government or too little government.
- ◆ Our fundamental problem is that we have the wrong kind of government.
- ◆ We do not need more government or less government, we need better government. To be more precise, we need better governance.

Governance

- ◆ **Governance** is the process by which we collectively solve our problems and meet our society's needs.
- ◆ Government is the instrument we use. The instrument is outdated, and the process of reinvention has begun.

Defining The Role of Government

- ◆ Privatization is simply the wrong starting point for a discussion of the role of government. Services can be contracted out or turned over to the private sector. **But governance cannot.**
- ◆ We can privatize discrete steering functions, but not the overall process of governance. If we did, we would have no mechanism by which to make collective decisions, no way to set the rules of the marketplace, no means to enforce use of behavior.

The Role Of The Public Sector

- ◆ The central purpose of state government is to be the catalyst, which assists communities in strengthening their civic infrastructure. In this way we hope to empower communities to solve their own problems.
- ◆ The public sector tends to be better at policy management, regulations, ensuring equity, ensuring continuity and stability of service, and ensuring social cohesion.

The Ten Principles of Entrepreneurial Public Organizations

- ◆ **Steering Rather Than Rowing (Catalytic Government).** Catalytic governments separate “steering” (policy and regulatory) functions from “rowing” (service-delivery and compliance functions).
- ◆ **Empower communities rather than simply deliver services (Community-Owned Government).** Community-owned governments push control of services out of the bureaucracy, into the community.

The Ten Principles of Entrepreneurial Public Organizations

- ◆ **Injecting competition into Service Delivery rather than monopoly (Competitive Government).** Require service deliverers to compete for their business, based on their performance and price
- ◆ **Transforming Rule-Driven Organizations / driven by their missions, not their rules (Mission Driven Government).** Deregulate internally, eliminating many of their internal rules and radically simplifying their administrative systems, such as budget, personnel, and procurement.

The Ten Principles of Entrepreneurial Public Organizations

- ◆ **Fund Outcomes rather than Inputs (Results - Oriented Government).** Results-oriented governments shift accountability from inputs to outcomes, or results.
- ◆ **Meet the needs of the customers, not the bureaucracy (Customer-Driven Government).** Customer-driven governments treat those they serve – as their customers.

The Ten Principles of Entrepreneurial Public Organizations

- ◆ **Concentrate on Earning, than Spending (Enterprising Government).** Enterprising governments focus their energies not only on spending money, but on earning it.
- ◆ **Prevention rather than Cure (Anticipatory Government).** Anticipatory governments seek to prevent problems rather than delivering services to correct them.

The Ten Principles of Entrepreneurial Public Organizations

- ◆ **Decentralize authority From Hierarchy to Participation and Teamwork (Decentralized Government).** Decentralized governments push authority down through the organization or system, encouraging those who deal directly with customers to make more of their own decisions.
- ◆ **Solve problems by leveraging the market place, rather than simply creating public programs (Market-Driven Government).**

Government Should....

- ◆ Steer, not row
- ◆ Empower communities to solve their own problems rather than simply deliver services
- ◆ Encourage competition rather than monopolies
- ◆ Be driven by missions, rather than rules
- ◆ Be results-oriented by funding outcomes rather than inputs

Government Should....

- ◆ Meet the needs of the customer, not the bureaucracy.
- ◆ Concentrate on earning money rather than spending it.
- ◆ Invest in preventing problems rather than curing crises.
- ◆ Decentralize authority.
- ◆ Solve problems by influencing market forces rather than creating public programs.

Legislative Role of the Committee

- ◆ Legislation establishing the privatization policy board gives the board two responsibilities.
 - **Study and consider privatization issues related to state agencies.**
 - **Make recommendations to state agencies and the legislature regarding the privatization of services.**

More Specific

- ◆ 63-55a-3 Privatization Policy Board – duties.
 - Review whether or not certain services performed by existing state agencies could be privatized to provide the same types and quality of services that would result in cost savings.
 - Review particular requests for privatization of services and issues concerning agency competition with the private sector.
 - Recommend privatization to the agency head when the proposed privatization is demonstrated to provide a more cost efficient and effective manner of providing existing governmental services.

Recommendations

- ◆ The Board should be proactive in studying services currently being provided by state agencies to encourage privatization of services when appropriate, and / or to encourage and reward the integration of Entrepreneurial principles into existing governmental service delivery system.

Recommendations

- ◆ We need to encourage and support state agencies to use their existing resources in new ways to heighten both their efficiency and their effectiveness.
- ◆ We need to regularly invite state agencies to present to the committee what they are doing to provide a more cost efficient and effective manner of providing existing governmental services.

Recommendations

- ◆ We may desire to review and enhance our current legislative charge to provide government services in the most effective manner.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday January 3, 2007 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Senator Brent Goodfellow - Chair, Ted Boyer, Jim Kesler, Steven Dickson, Steve Wrigley, Douglas Richins

Excused

Tanya Henrie, Representative Fred Hunsaker

Absent

Senator Chris Buttars, Norm Tarbox, Gretta Spendlove, Robin Riggs

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Mr. Boyer motioned for approval of the minutes of the meeting held November 29, 2006. Mr. Kesler seconded that motion. The minutes were unanimously approved.

Review and Discussion on 2006 Annual Report to the Governor and the Legislature

The draft Annual Report was discussed. Mr. Richins is going to make a few minor changes and the report will be sent out to the Governor and the Legislature.

Other Issues

Mr. Richins will check with the Governor's Office on re-appointments of board members

Discussion Items for Future Meetings

- ☞ Presentation by Steve Wrigley from the book Reinventing Government
- ☞ Review the different State Agencies for potential privatization

March Meeting

The next meeting will be on March 28, 2007 at 10:00 a.m. in the offices of the Division of Purchasing - 3150 State Office Building, Capitol Hill, Salt Lake City.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday November 29, 2006 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Senator Brent Goodfellow - Chair, Representative Fred Hunsaker, Senator Chris Buttars, Steven Dickson, Jim Kesler, Ted Boyer, Gretta Spendlove, Douglas Richins

Excused

Robin Riggs, Norm Tarbox, Tanya Henrie

Absent

Steve Wrigley

Visitors

Rod Marrelli – Tax Commission, Brad Simpson – Tax Commission

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Representative Fred Hunsaker motioned for approval of the minutes of the meeting held October 25, 2006. Ted Boyer seconded that motion. The minutes were unanimously approved.

Presentation by Rod Marrelli and Brad Simpson – Utah State Tax Commission

Mr. Marrelli and Mr. Simpson provided the board with an overview of the outsourcing and privatization efforts of the Division of Motor Vehicles. They stated that their goal of finding ways to keep people from needing to come into the DMV buildings to conduct their transactions. They presented handouts graphically showing the Four Year Outsourcing Trends. (copies of the handout is attached to the minutes.)

Renewal Express - This is an internet service that allows people to renew their car registration and make payment with a credit card at any time for their convenience. Last year 350,000 people renewed their car registration online. It is estimated that 370,000 will use the system this year. That is about 1/3 of the renewals. They said that this is the highest percentage of anywhere in the nation.

Self-Plating Program - This program gives the large auto dealers, car rental firms and state fleets direct access to the licensing system. The system allows the dealer to register, title and plate the car before the customer leaves the dealers office. There is also the Independent Dealer Solutions, a third party system that allows used car dealers to go into the system and do their own plating. Overall there were 250,000 vehicles plated with this system last year. Rep. Hunsaker applauded the innovative system, saying that this is an example of outsourcing at its best.

“On the Spot” Program – There are currently 127 safety and emissions stations in 14 counties that partner with the Tax Commission and for a fee provide a value added service to complete

the registration renewal and decal process. This program started in 2005 will process almost 120,000 subtransactions in 2006.

Coversnet Program – This program allows large motor carrier companies to self plate their vehicles and process renewals. The Tax Commission projects that 3,300 subtransactions will be accomplished via this system in 2006.

Possible Future Expansion – Mr. Simpson and Mr. Marrelli indicated that they are looking at the following new areas.

Kiosks – Potential renewal of driver’s license and motor vehicle registration in public areas.

E-Lien – Electronic lien releases from financial institutions (on vehicle titles). There was a discussion with the board on challenges with titles and the criticality of the security of titles.

Ted Boyer asked if the Tax Commission had considered outsourcing the operation of the DMV offices. Mr. Marrelli indicated that as they have evaluated this, it isn’t something they are interested in pursuing at this time. He said that 50% of the DMV’s business happens on the last day and first day of the month.

Mr. Marrelli and Mr. Simpson were complimented for the efficiencies and improvements they have implemented. The board commended them for being very proactive.

Discussion Items for Future Meetings

Mr. Kesler made the recommendation that for the next meeting that the board past meeting minutes so we can prepare for our annual report to the governor and the legislature. Mr. Richins was asked to prepare a discussion draft of the annual report and send it out prior to the meeting.

Rep. Hunsaker raised an issue whether any privatization effort would assist in picking up for disposal tires to be recycled. He said that tire dealers (at least in Cache County) are complaining that the tires are never picked up by the recycler. It was agreed that at a future meeting to invite Mark Blazzard from the Office of Legislative Fiscal Analyst, and also ask him others that he would recommend we invite to address this issue (perhaps representatives from DEQ and private recycling companies).

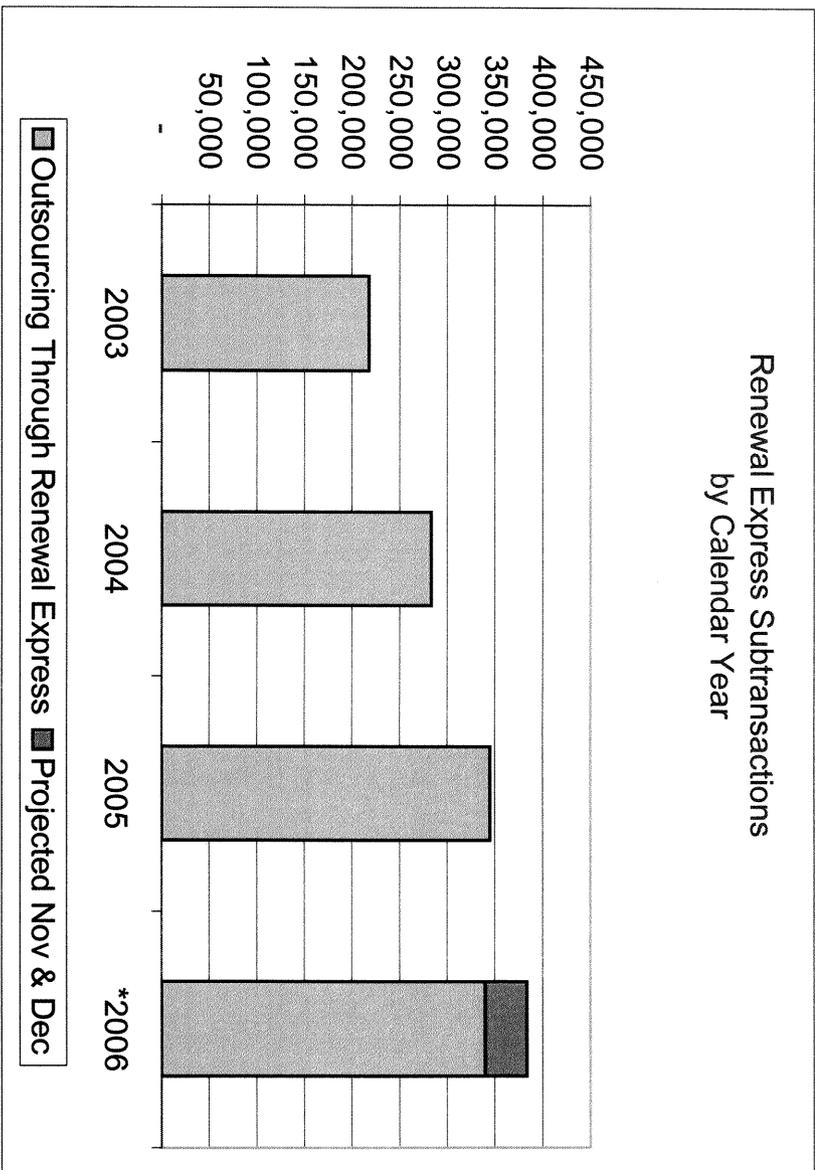
January Meeting

The next meeting will be on January 3, 2007 at 10:00 a.m. in the offices of the Division of Purchasing - 3150 State Office Building, Capitol Hill, Salt Lake City.

Attachments – Handouts provided by the Tax Commission.

Four Year Outsourcing Trends

Renewal Express Program

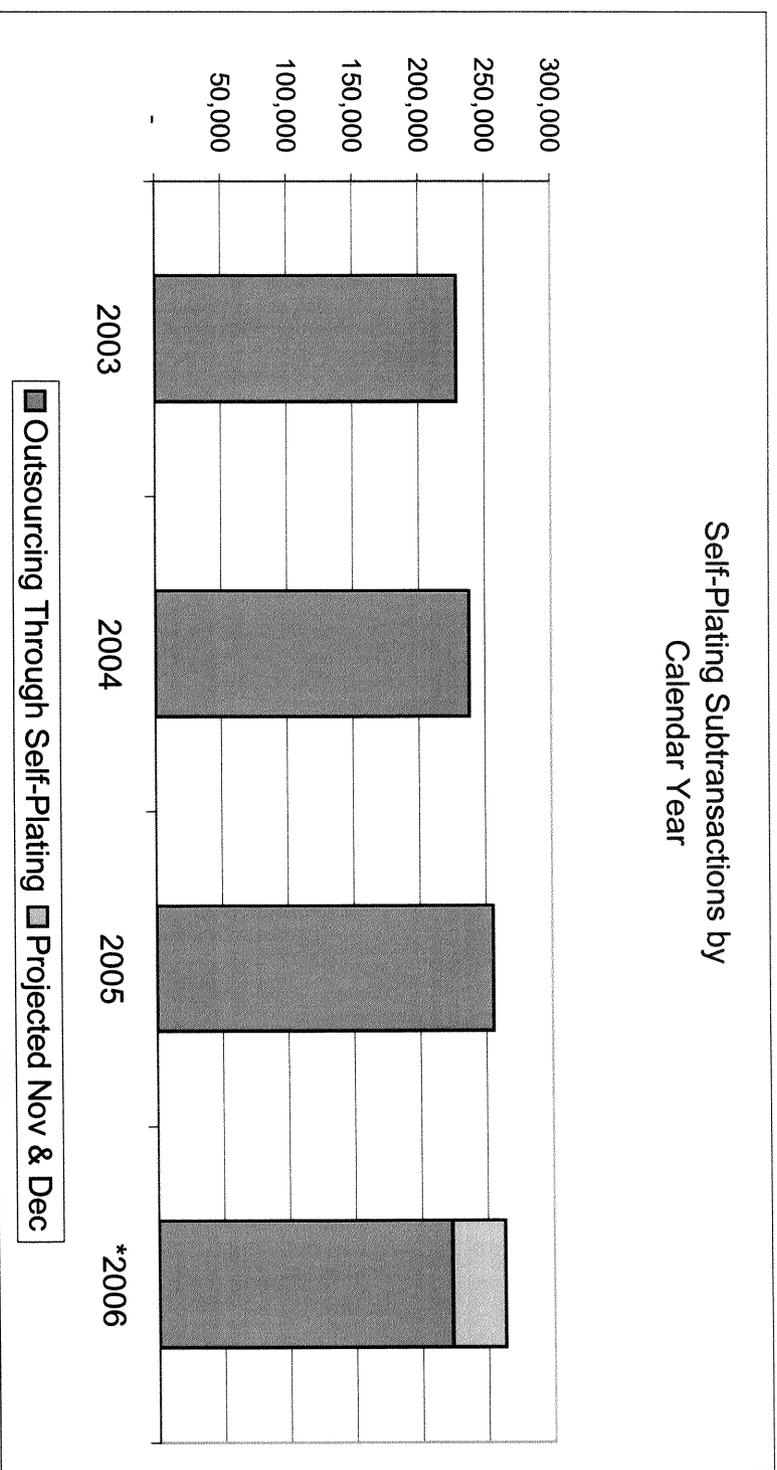


*Year to date as of November 1 - the projected subtransactions for November and December have been added.

Renewal Express allows customers to renew their vehicle online 24 hours a day, 7 days a week.

Four Year Outsourcing Trends

Self-Plating Program

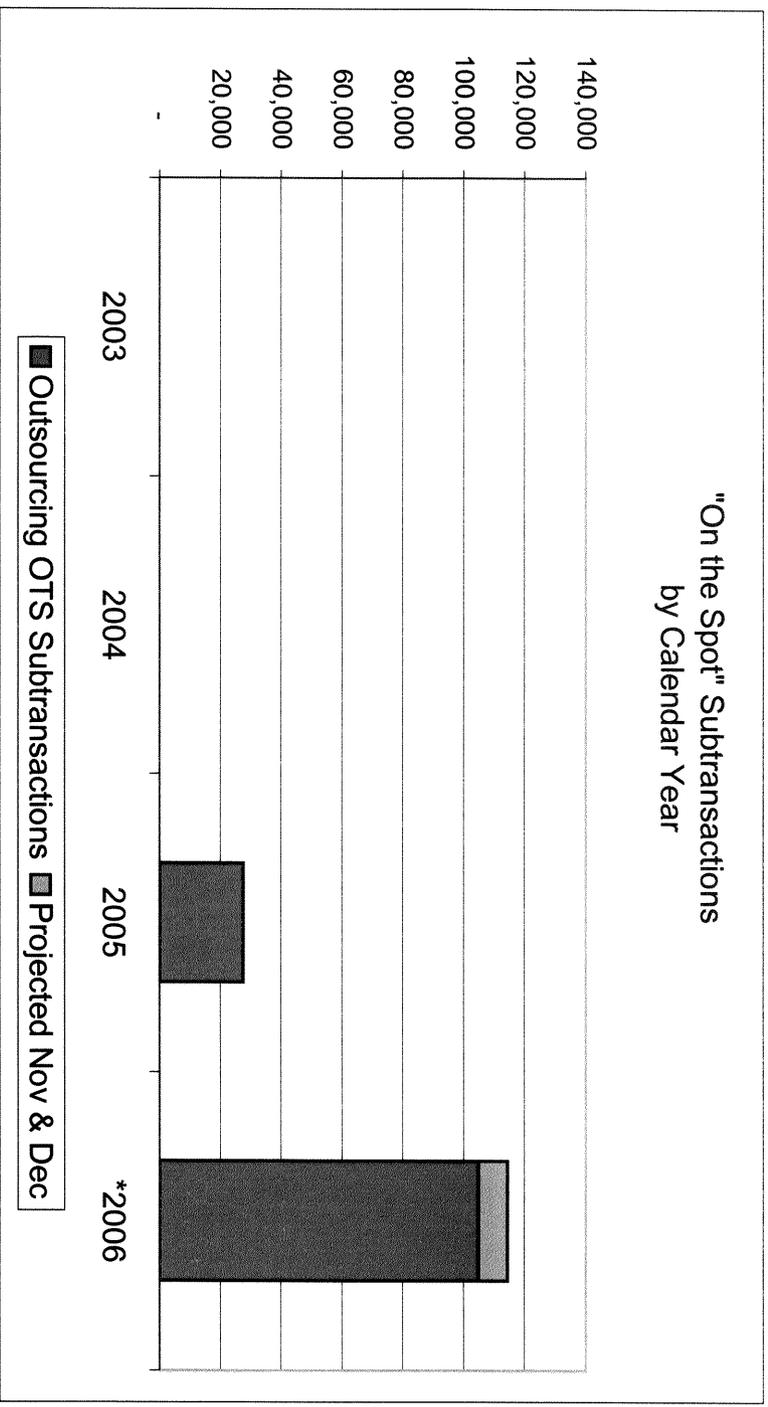


*Year to date as of November 1 - the projected subtransactions for November and December have been added.

Outsourcing to Independent Dealer Solutions, Large New Car Dealers, State Fleets, Rental Car Companies, etc.

Four Year Outsourcing Trends

"On the Spot" Program

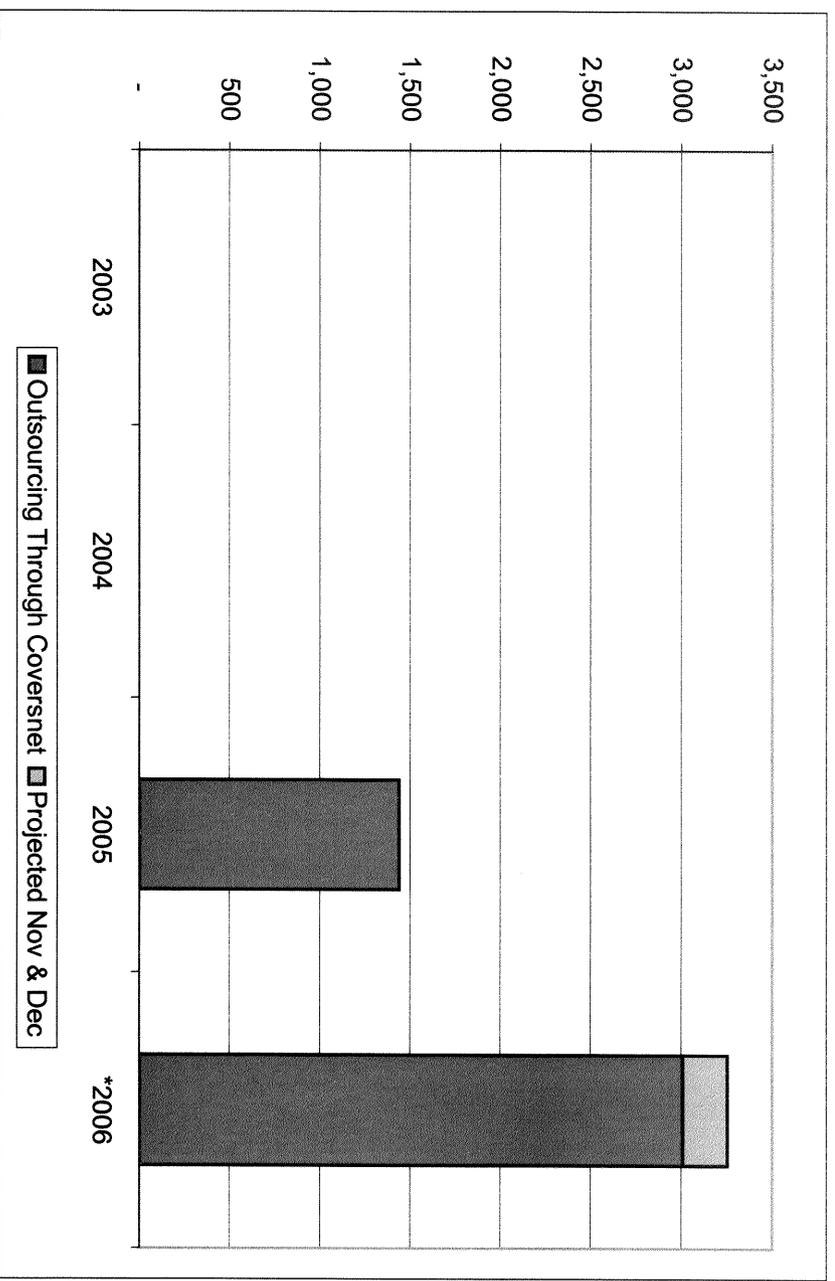


*Year to date as of November 1 - the projected subtransactions for November and December have been added.

OTS (On the Spot) stations are safely and emission stations that do renewals for customers subsequent to their getting their vehicles inspected. OTS program began in May 2005. As of October 31 2006, there were 127 OTS stations located in 14 counties.

Four Year Outsourcing Trends

Coversnet Program



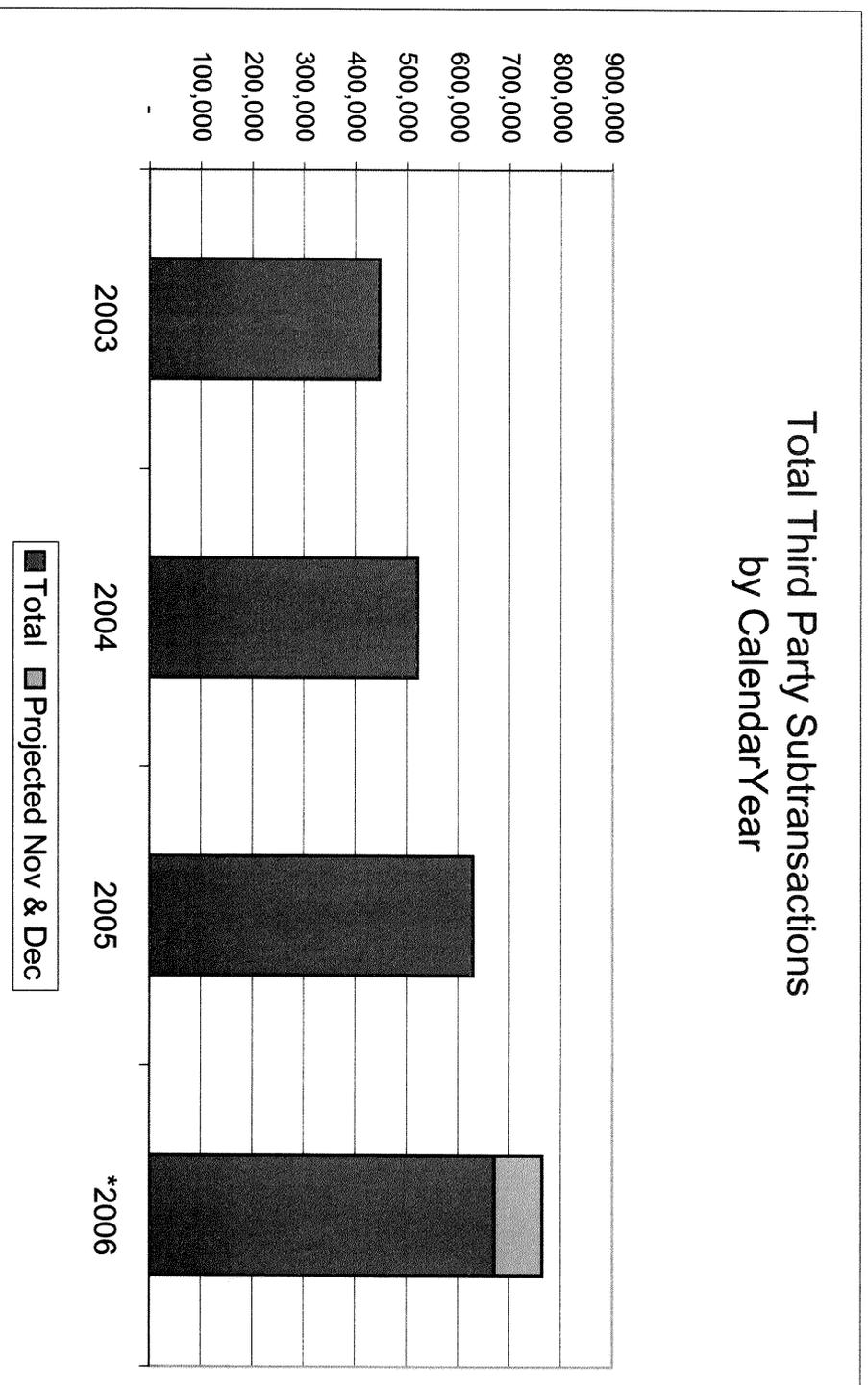
*Year to date as of November 1- the projected subtransactions for November and December have been added.

Coversnet allows large motor carrier companies to self-plate their vehicles as well as process the renewals of those vehicles. A pilot program was implemented in January 2005, and the full program was implemented in November of 2005.

Four Year Outsourcing Trends

All Programs

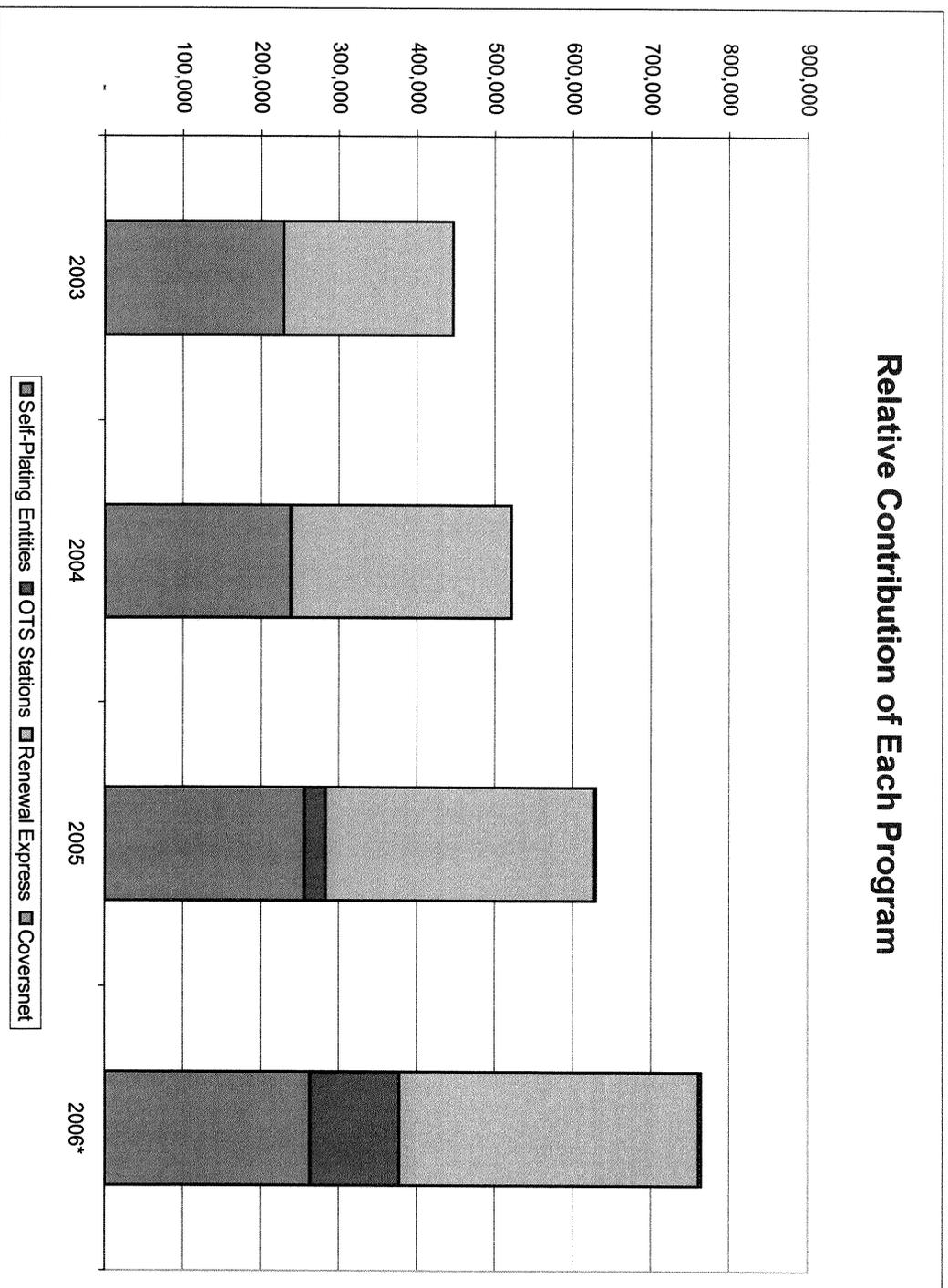
Total Third Party Subtransactions
by Calendar Year



*Year to date as of November 1 - the projected subtransactions for November and December have been added.

Four Year Outsourcing Trends

Relative Contribution of Each Program



Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday October 25, 2006 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Senator Brent Goodfellow - Chair, Representative Fred Hunsaker, Senator Chris Buttars, Steven Dickson, Steve Wrigley, Jim Kesler, Ted Boyer, Gretta Spendlove, Douglas Richins

Absent

Norm Tarbox, Robin Riggs, Tanya Henrie

Visitors

Jean Mills-Barber - DHRM, Con Whipple - DHRM, Jeff Herring - DHRM, Nannette Rolfe - Department of Public Safety, Wally Wintle - Department of Public Safety, Richard Ellis, Department of Administrative Services

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Ted Boyer motioned for approval of the minutes of the meeting held September 27, 2006. Mr. Kesler seconded that motion. The minutes were unanimously approved.

Mr. Richins reminded the board that in last months meeting we had a presentation from Convergys Corporation about the services that they provide to Florida and Texas on an outsourced basis for human resource management. The board then invited Mr. Herring and representatives of the Utah Department of Human Resource Management to offer their perspective on potential for privatization in the human resource area.

Presentation by Jeff Herring – Department of Human Resource Management (DHRM)

In July of 2006 a major reorganization and consolidation of the human resource functions within state government took place bring all of the HR employees under DHRM. Prior to that DHRM had responsibility for HR policy, each of the agencies had their own human resource staff. DHRM now coordinates both the policy and through 12 field offices located in the different agencies provide HR services to the agencies of state government. Mr. Herring gave a slide presentation and a handout (see attachments) and there was a healthy discussion on this subject. Mr. Whipple also distributed a handout titled “Basic Metrics (Tentative)” (see attachment) and there was a discussion on this handout also. Mr. Herring explained that it would be difficult to compare DHRM’s services with those provided by Convergys to Texas and Florida, and it is also somewhat difficult to compare one state’s human resource function to another as well.

Presentation by Nannette Rolfe, Division Director – Utah Drivers License Division

Ms. Rolfe provided an overview of the Drivers License Division staffed. They are challenged with having to hire a large number of part time seasonal employees (without benefits) because of budget constraints. This results in a large (30%) turnover. This challenge is compounded by the fact that takes about six months to train a new employee. She discussed ways that the division is

attempting to reduce lines and improve efficiencies at the division. The Drivers License Division is asking the legislature for the ability to turn 20 of these part time positions into full time positions to help with the high turn over rate.

There was a healthy discussion on ideas of how the Drivers License Division could possibly run more efficiently.

Election of Vice-Chair

Senator Butters made a motion to nominate Jim Kesler to be Vice Chair. The motion was unanimously approved.

Discussion Items for Future Meetings

Mr. Richins was asked to invite representatives of the Division of Motor Vehicles from the State Tax Commission to attend the next meeting and address their use of the private sector to improve their efficiency and also to address initiatives that other state's may have taken using the private sector in this important area that touches each citizen.

November Meeting

The next meeting will be on November 29, 2006 at 10:00 a.m. in the offices of the Division of Purchasing – 3150 State Office Building, Capitol Hill, SLC.

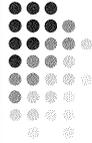


Department of Human Resource Management

Cabinet Meeting Presentation

June 2, 2006

Contact:
801-538-3025
www.dhrm.utah.gov





HR Reorganization

Highlights

- Effective July 1, 2006
- HR staff in the State moves into DHRM
- 12 Field Offices (New Direct Service Structure)
- Billed based upon Agency FTE's (monthly)
- Service Agreements being finalized
- Opportunity for HR staff cross-training and development





HR Initial Projects

- Bi-Monthly State Employee Newsletter
 - Rotating Agency Message (Executive Directors)
- HR/IT Projects
 - Integrated HR Systems
 - Data/Recruitment/Training
 - Employee Self Service Project
 - DTS/URS/PEHP/Finance/DHRM
 - Employee Portal
- Formal Cross-Training Program with HR Staff
 - Field to Policy and Policy to Field
 - Field to Field





DHRM Mission



DHRM will add **value** to the State of Utah through:

- Increased customer service
- Increased efficiency
- Decreased liability



Strategic HR



Goal = be a strategic partner with agencies

Definition

- **Strategic** = Important or essential in relation to a plan of action; Highly important to an intended objective
- **Partner** = A member of a **business** partnership; A spouse; Either of two people dancing together



Strategic HR



What does it mean to be a Strategic Partner?

- Manager's perspective
 - "Why should I spend time with HR?"

Focus must be on adding **value** to the organization

- Value is defined by the receiver (agency/employee)



Strategic HR



How to add value to an organization?

- Linking customer's (agencies/ employees/ public) desires to the Organization
 - Governor's Vision – Mission – Values
 - ↓
 - Agency's Vision – Mission – Values
 - ↓
 - DHRM's Vision – Mission – Values



Barriers to Strategic HR



Common views towards HR

- "A necessary evil"
- Part of the bureaucracy
- Paper – pushers
- Only deal with recruitment and termination
- A cost-center



Barriers to Strategic HR



Not generally business people

- Enter HR because we "want to be helpful" or "like to work with people."
 - Good reasons but the focus needs to be on raising the **value** of the organization
- Lack of understanding of customer's business goals
 - HR needs to understand business to add value to those business goals



Solutions to adding Value



Metrics and Measures (M&M's)

- Business world uses them
- To keep up HR needs to adopt and develop them
- Must focus on outcomes rather than activities
 - Training attendance ≠ training effectiveness
 - Recruitment ≠ effective hire
 - Turnover ≠ engaged employee



Solutions to adding Value



Develop a SWOT analysis for our organizations:

- What constraints keep our organizations from reaching goals (generally people issues)
- What can HR do to help overcome the constraints
- Moves HR into a proactive consultant role for business solutions



Solutions to adding Value



Accountability for actions with HR impact:

- Top down management accountability
 - Managers (right KSA's)
 - Supervisors (kind vs. nice)
 - Employees (clear communication and expectations)

Adopt a common HR language:

- HR using the common methods and language



Solutions to adding Value



Get out of the Defensive Posture

- Traditional view = HR the bad cop
 - Lose support from management and employees
- Standardization
 - State's business is too complex
- Afraid of exceptions
 - Fear of opening up floodgates (slippery slope)



Solutions to adding Value



Be a Business Partner

- Provide solutions
 - Managers need to communicate end-state goal
- Take an open-minded approach
 - Think outside of the box
- Do not be afraid of exceptions
 - Exceptions drive business



Solutions to adding Value



Equilibrium is Death

- Yellowstone Fires of 1988
- Law of Requisite Variety
 - "Survival of any system depends on its capacity to cultivate (not just tolerate) variety in its internal structure"
 - Fish tank model



Conclusion



HR as a Business Partner

- HR should be a part of every decision as one common factor in business decisions is employees (Organization, engagement, demographic, marketing, etc.)
- Reframe problems to find solutions
 - Alexander the Great



References



- *The HR Value Proposition*; Ulrich and Brockbank (2005)
- *Surfing the Edge of Chaos*; Pascale, Milleman and Gioja (2000)
- *Peak Performance*; Katzenbach (2000)
- *The HR Scorecard*; Becker, Huselid and Ulrich (2001)
- *The Wisdom of Alexander the Great*; Kurke (2004)
- *Why We Hate HR*; Hammonds (2005)
- *HR as a Strategic Partner*; Wert and Liwanag (2002)
- *How can HR be a Strategic Business Partner*; Bly (2005)



Department of Human Resource Management



Questions?

Basic Metrics (Tentative)
Utah Department of Human Resource Management
Executive Branch Only*
25 October 2006

Operating expense per FTE
(System) = \$286,261

Compensation as percentage
of operating expense (System) = 21.6%

Total FTE per HR FTE (DHRM) = 147

Annual HR expenditure
per FTE (DHRM) = \$761.65

Rookie ratio (core, System) = 17.3%

Health benefit payment
per employee (System) = \$9227

Paid days off (System) = 27.25

Voluntary turnover (System) = 10.45%

Involuntary turnover (System) = 1.38%

* Executive Branch FTE = 19,719.79
Executive Branch Employees = 23,421
Appropriated Budget for Executive Branch = \$5,645,007,155

DHRM Employees = 184
DHRM Budget = \$15,019,500

Data Bank Annual Workforce Management

Internal HR:

BASIC METRICS

Average for common measures of costs and returns, 2004

Revenue per FTE	\$324,523
Operating expense per FTE	\$226,046
Compensation as percentage of operating expense	28.7%
Human capital ROI	1.52
Percentage of HR executives reporting to CEO	65%
Total FTE per HR FTE	87
Recruiting/staffing FTE as percentage of total HR FTE	18%
Annual HR spend per employee	\$1,554
Recruiting/staffing costs	\$120
Nonlabor benefit costs	\$87
Training costs	\$676
Per session	\$121
Payroll costs	\$93
Per payment	\$3
Rookie ratio (employees with less than two years service/total headcount)	20.4%
Employees eligible for retirement in less than five years	17.4%
Health benefit payment per employee	\$6,393
Employer contribution to total health benefit cost	81.8%
Health benefit payments as percentage of operating expense	2.7%
Paid days off per employee	28.6
401(k) utilization rate	72%
Employer 401(k) cost per participant	\$2,258
Performance pay as percentage of total compensation	9.4%

Note: Survey of 288 U.S. organizations.
Source: Saratoga Institute, PricewaterhouseCoopers Human Resource Services (www.pwcservices.com/saratoga-institute)

Internal HR:

TRENDS IN BASIC METRICS

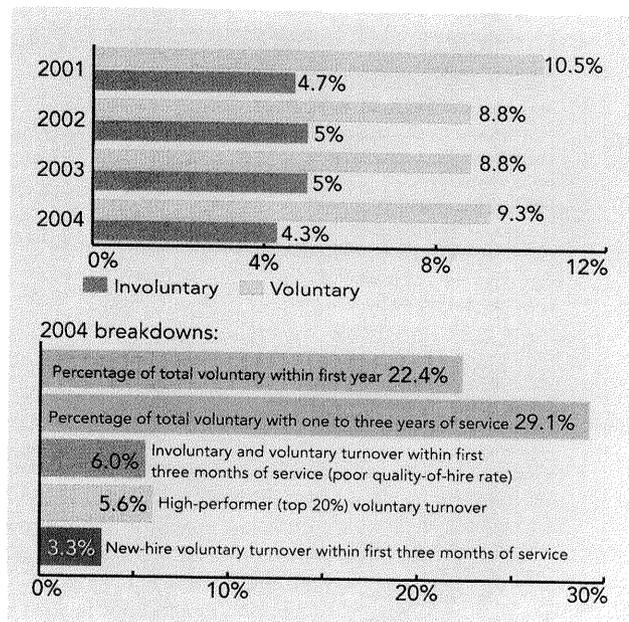
Metric and/or percent change from previous year, national medians, 2001-2004

	2001	2002	2003	2004
HR/headcount ratio	1/86	1/84	1/84	1/87
HR spend per employee	\$1,342	\$1,432	\$1,472	\$1,554
Revenue per FTE employee	\$264,429	\$271,803	\$312,738	\$324,523
Expense per employee	\$198,600	\$182,585	\$204,611	\$226,046
Labor costs as percentage of revenue	20.8%	25.8%	26.6%	28.0%
Average cost per hire	\$2,477	\$3,092	\$2,936	\$3,270
Time to fill	44 days	45 days	46 days	48 days
Offer-acceptance rate	-	93.0%	94.8%	93.9%

Note: Surveys of more than 200 organizations for each year.
Source: Saratoga Institute, PricewaterhouseCoopers Human Resource Services (www.pwcservices.com/saratoga-institute)

Internal HR: TURNOVER

Annual average turnover rates, 2001-2004



Note: Survey of 288 U.S. organizations.
Source: Saratoga Institute, PricewaterhouseCoopers Human Resource Services (www.pwcservices.com/saratoga-institute)

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday September 27, 2006 10:00 a.m.
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Attendees:

Senator Brent Goodfellow - Chair, Representative Fred Hunsaker, Senator Chris Buttars, Steven Dickson, Steve Wrigley, Tanya Henrie, Jim Kesler, Ted Boyer, Douglas Richins

Absent

Norm Tarbox, Gretta Spendlove, Robin Riggs

Visitors

Morris Applewhite - Convergys, Krista Boyle - Convergys, Dan Hart – Convergys, Dennis Hammer - UPEA,

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Steven Dickson motioned for approval of the minutes of the meeting held August 23, 2006. Mr. Kesler seconded that motion. The minutes were unanimously approved.

Presentation by Morris Applewhite from Convergys

Mr. Applewhite provided a company overview. Convergys is engaged in four business segments. Customer Service, Human Resources, Finance & Accounting and Information Management - Billing Solutions. Currently Convergys employees 6,200 employee's in Utah primarily in customer service areas (call centers). They are one of Utah's largest employers. 20% of Convergys' US employees are in Utah at sites in SLC, Ogden, Orem, Logan and Cedar City, providing 100% tuition reimbursement for their employees. Mr. Applewhite presented a slide presentation on the company's business areas. A handout was distributed of the slide presentation and there was a discussion on this subject. A copy of the slide presentation is attached to the minutes. Mr. Applewhite indicated that they have had conversations with Steve Fletcher (executive director of the Utah Department of Technology Services) about Utah's IT consolidation and the IT billing services that Convergys performs for the State of Georgia and the State of South Carolina. The United States Postal Service contracts with Convergys to provide customer management services over the telephone and web including speck applications and web applications. They provide outsourced human resources and benefits administration services, payroll services, HR services, recruiting/staffing services, benefits administration and learning management. The State of Texas and the State of Florida outsources some of their HR administration to Convergys. Senator Buttars asked if Convergys was providing HR services or billing services for any private sector businesses in Utah. Mr. Applewhite responded that they are not. The board referred the Convergys representatives to Jeff Herring, the Executive Director of the Department of Human Resource Management and to John Reidhead, Director of the Division of Finance (where payroll is administered).

Election of Vice-Chair

It was proposed that the board fill the vacant position of Vice-Chair. Tanya Henrie was nominated. She declined acceptance of the nomination citing pressing business issues. Following discussion, it was decided to postpone the election of the Vice-Chair to the October Meeting.

Discussion Items for Future Meetings

Mr. Kesler requested that representatives of the Utah Driver's License Division be invited to the next meeting to review for the board changes that he understands are coming in January, and to explore whether the private sector can assist the division's customer service. It was also requested that representatives from the Department of Human Resource Management be invited to meet with the board in October to see if they have done any research into the outsourcing of human resource management functions as proposed by Convergys, and what, if any, the conclusions of that research might be.

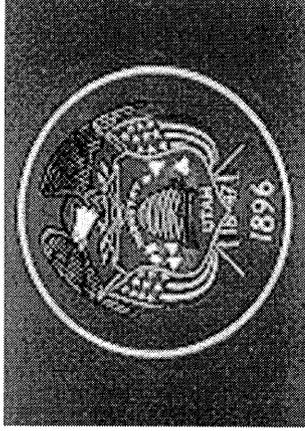
It was suggested that representatives of the Division of Motor Vehicles be invited to the board's November meeting to review their current and future use of the private sector for their functions.

October Meeting

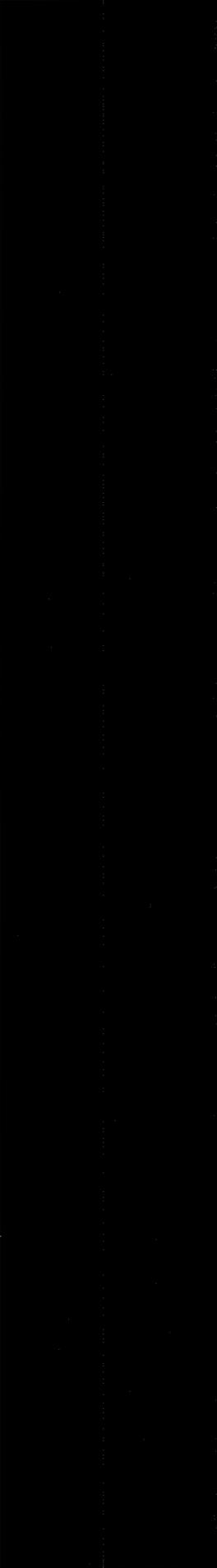
The next meeting will be on October 25, 2006 at 10:00 a.m.

Attachment: Copy of Slides from Convergys presentation.

CONVERGYS



CONVERGYS
Outthinking. Outdoing.



Convergys is the global leader in customer care, human resources, and billing solutions.

Half of the Fortune 50 companies rely on our expertise in consulting, outsourcing and technology services.



We enable global organizations and
government agencies gain greater value
from their relationships
with customers and employees.

providing outsourced
customer care using

40,000

production
solutions

managing **68,000** toll-free numbers

13,000,000+
employee contacts annually

more than **350,000,000**

subscribers supported by Convergys billing systems

over **one billion**
customer interactions annually

Convergys' Global Presence

More than 70 countries served, 35 languages supported
from 74 sites in 15 countries

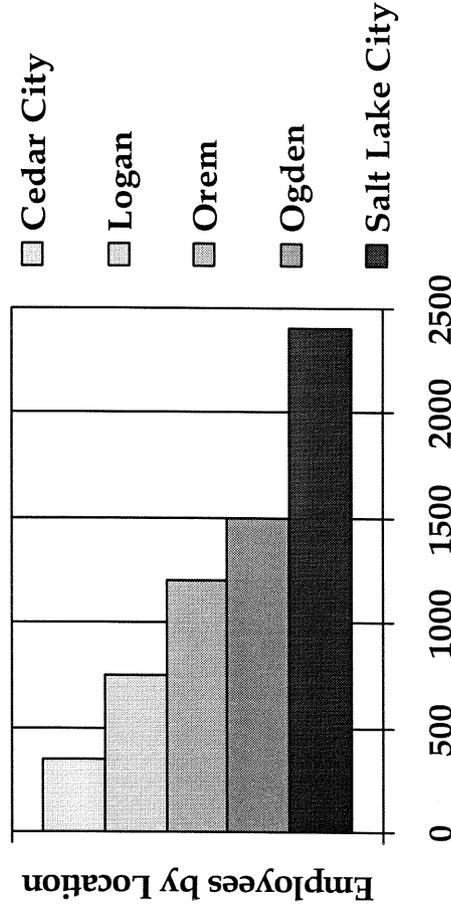
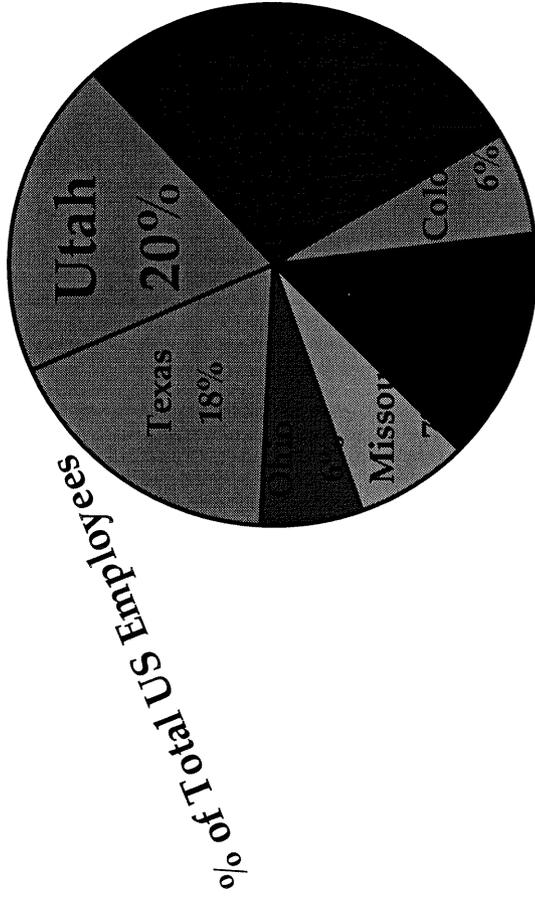


As of February 1, 2006

CONVERGYS
Outthinking Outdoing

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Convergys in Utah



- Convergys' largest U.S. presence is in Utah, with more than 6200 contact center employees at five locations.
- We have been a part of the Utah landscape since 1990.
- Recent community projects include:
 - ▲ iKeepSafe with First Lady Mary Kaye Huntsman (2006)
 - ▲ \$200,000 to Hogle Zoo for the African Lodge Education Pavilion (2005)
 - ▲ \$20,000 in employee and corporate matching contributions to local United Way agencies (2005)
- Clients served from Utah include industry leaders in financial services, retail, pharmaceuticals, automotive, telecommunications, high tech and the federal government.
- Partnership with the State: Utah's 511 Transportation Information System.

Our Business

Human Resources	Customer Care	Finance & Accounting	Information Management-Billing
<p>Provides outsourced human resource and benefits administration services</p> <ul style="list-style-type: none"> • Payroll Services • HR Services • Recruiting/Staffing Services • Benefits Administration • Learning Management 	<p>Provides outsourced contact center solutions and related technology and consulting services</p> <ul style="list-style-type: none"> • Inbound and outbound customer care • Customer retention support • Account acquisition and activation • Collections • Product cross-selling • Technical support 	<p>Provides full-service outsourced Finance & Accounting services and related application management</p> <ul style="list-style-type: none"> • Order to Cash • Procurement to Payment • Specialty Accounting • Recording & Reporting • Control & Risk Management 	<p>Provides and manages billing, order management and customer management systems</p> <ul style="list-style-type: none"> • Billing and Rating • Order Management • Partner Relationship Management • Mediation • Activation • Advisory Services

Convergys Specialty Services

What kind of questions do we help answer?

Which customer interactions have revenue-generation potential?

How can we drive more revenue from self-service channels?

How do we manage our BSS costs while improving performance?

How do we protect our BSS and CRM systems in the event of a catastrophic event?

How do we improve workforce productivity and performance?

How do we consolidate our legacy systems into a single system to enable aggressive growth?

Is the self-service experience we provide helping us best serve our customers?

How do we centralize and standardize our training organization?

What agent services should we automate?

Are we taking proactive measures to retain customers?

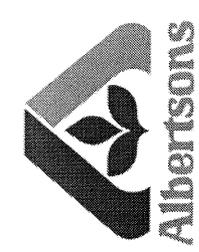
What's the most effective strategy to optimize our IT systems?

Which business process triggers the majority of contacts?

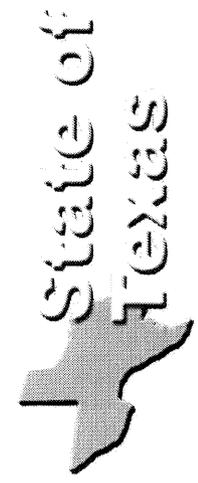
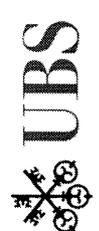
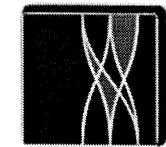
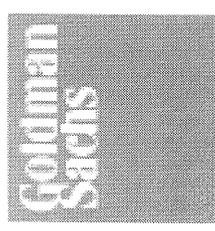
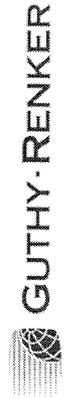
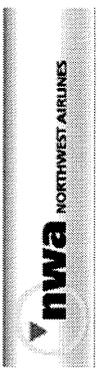
How can more issues be resolved on the first contact?

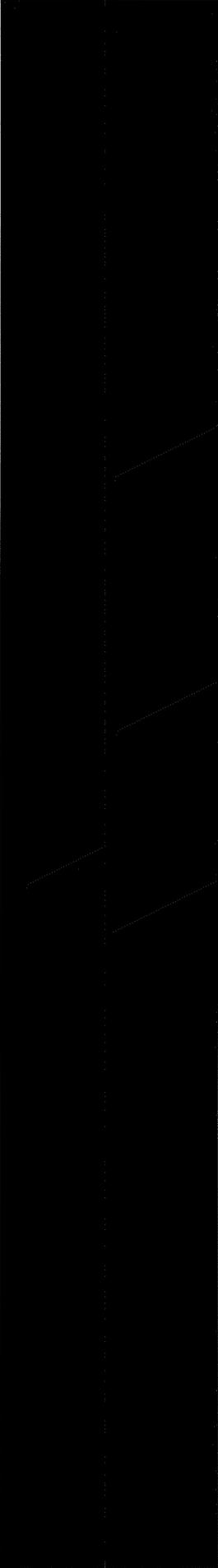
Are we satisfied with self-service utilization and containment rates?

Who are some of our clients?



MOBILE





How does Convergys' expertise serving
clients in the private sector through
customer management,
information management, and
employee care
translate into value for the public sector?

Customer Care in the Public Sector

- Government clients look to Convergys to provide professional services, technology solutions and live agents to enhance customer satisfaction, reduce costs, and increase efficiencies by:
 - ▲ Improving the internal controls that allow agencies to gain accurate and timely access to financial and customer service data
 - ▲ Facilitating the flow of information between agencies to improve daily and strategic decision-making
 - ▲ Facilitating performance improvements that span traditional government organizational boundaries
 - ▲ Identifying the best mix of technology and live agent customer service

United States Postal Service: Reducing Costs and Increasing Customer Satisfaction

The Client:

- With annual operating revenues of \$68.5 billion, the USPS serves 7 million customers a day at more than 37,000 outlets—and delivers 202 billion pieces of mail a year
- The USPS makes stamps available via the Internet, by mail, by phone, and through 32,000 vending machines, 40,000 commercial retail outlets and ATMs.

The Challenges:

- The USPS wanted to significantly improve the customer experience of postal patrons
- The organization needed to support its “One Call Does All” philosophy, which stresses the importance of first contact resolution and superior customer service

Finding Solutions:

- The USPS selected Convergys to provide customer management services and establish a highly functional, well-integrated customer care solution
- Responsibility for the entire customer contact experience—spanning multiple customer-management vendors—was given to Convergys, and all relevant vendor relationships were transferred to Convergys
- Convergys leveraged its Professional Services team to provide consulting, analytics and measurement for a customer intelligence program to improve customer satisfaction

United States Postal Service: Reducing Costs and Increasing Customer Satisfaction

Execution:

- Convergys used its Point-of-Service Evaluation (POSE) customer satisfaction feedback system to support decision making relating to every element of the customer contact experience
 - ▲ Monthly reports were replaced with real-time, online information, giving managers immediate “voice of the customer” performance feedback
 - ▲ Convergys established a service recovery and relations team that receives automatic “SOS alerts” when a customer rates the contact experience negatively, allowing team members to quickly address problems and reduce customer churn
- Drawing on extensive customer intelligence multiindustry databases, USPS was able to benchmark its centers against “all centers” and the “best-in-class centers” for added insight into customer expectations and perceptions

Results:

- \$7M annual savings by improving self service containment rates by 19% and reducing the number of live agent calls by 6 million annually, all while maintaining customer satisfaction
 - ▲ Customer satisfaction results during the first year exceeded the prior six quarters
 - ▲ USPS moved from a static customer satisfaction program focused on measuring past performance to a proactive, dynamic, fully integrated program that supports business decision making

Billing & Order Management in the Public Sector

- Convergys billing, order management, and customer service management systems allows the states of Georgia and South Carolina to have seamless order-to-bill support.

- The solution:
 - ▲ Focuses on a state-wide approach to providing IT services while streamlining processes,
 - ▲ Improves service levels,
 - ▲ Improves daily strategic decision making,
 - ▲ Makes more efficient use of scarce IT resources, and
 - ▲ Better manages the actual business of government.

Employee Care in the Public Sector

- Convergys has partnered with the State of Florida and State of Texas to enhance employee satisfaction and cut costs by:
 - ▲ Consolidating HR functions spread across multiple agencies
 - ▲ Upgrading technology infrastructure and increase use of technology in everyday interactions (payroll processing and administration, use of e-records, etc)
 - ▲ Launching and facilitating use of web-based self-service
 - ▲ Deployment of learning technologies throughout the employee lifecycle
 - ▲ Assisting in recruiting, hiring, training and staffing
 - ▲ Keeping jobs in their respective states

State of Florida and State of Texas Overview

State of Florida

- Serving 219,000 state employees, retirees, and university staff across 32 state agencies
- Moved from manual, outdated, people and paper intensive processes to “best in breed” technology
- Convergys provides central support to 70% of the state’s HR workload; HR management able to focus on strategy, policies, and government issues rather than time-intensive processes
- Expected savings to the state: \$100 million

State of Texas

- Serving 46,000 Health and Human Service Commission (HHSC) employees and retirees
 - ▲ HHSC is a \$44 billion organization made up of five separate agencies and makes up 20% of the State of Texas workforce
- Includes an innovative, integrated e-learning program that incorporates an online library of more than 145 courses and saves that state more than \$2 million per year
- Expected savings to the state: more than \$20 million

Contact Information

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513-723-2061

krista.boyle@convergys.com

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday August 23, 2006 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Senator Brent Goodfellow - Chair, Representative Fred Hunsaker, Steven Dickson, Steve Wrigley, Tanya Henrie, Jim Kesler, Ted Boyer, Douglas Richins

Absent

Norm Tarbox, Gretta Spendlove

Visitors

Senator Howard Stephenson, Melva Sine – President/CEO Utah Restaurant Association, Andrew Stephenson – Utah Taxpayers Association

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Steven Dickson motioned for approval of the minutes of the meeting held April 26, 2006. Mr. Kesler seconded that motion. The minutes were unanimously approved.

Presentation by Senator Howard Stephenson and Melva Stine

SB74 Privatization of Government Functions Task Force Privatization Ideas

In 1999 Senator Stephenson sponsored legislation that would have given the Privatization Policy Board greater latitude and actual authority to impose sanctions and penalties for instances of government unfairly competing with the private sector. It also would have empowered the board to advise the legislature on further legislation that would assist in eliminating or curtailing unfair competition by government by the tax paying private sector. He also sponsored legislation in 2006 (SB74) to establish a Privatization of Government Functions Task Force. The legislation did not pass.

Senator Stephenson is still interested in accomplishing something that will help free enterprise in Utah be protected from unfair competition. Senator Stephenson stated that the biggest area that the board has looked at over the years has been state privatization of services that are typically done in house. He feels the board has done an excellent job of moving a lot of these services to the private sector by saving money are reducing headaches for various agencies in the state.

The biggest concern and the most complaints that Senator Stephenson hears from businesses facing competition from government is with local government. He stated “we have a lot of local government entities that are competing head to head with the private sector”. He cited catering, wedding facilities and businesses that private vendors have put a lot of capital into only to find that the government is competing head to head at rates that the private businesses cannot compete with. Melva Stine, representing the Utah Restaurant Association said that for example for just a few hundred dollars one can use the Matheson Court House Rotunda, the Red Butte Arboretum or the Salt Lake Library for a wedding reception. Hotels, wedding reception centers and other facilities are facing unfair competition.

Senator Stephenson would like to see an ongoing study and a thorough investigation and then have recommendations for legislation on unfair government competition by the Privatization Policy Board or a commission referred to in SB74 (2006 Legislative session). That way there will be a level playing field in this area. He suggested that it is quite a big undertaking because there is so much of it in the state and

feels that there ought to be statutory standards in place to prohibit unfair competition and if it is allowed to require that the facilities must charge a full competitive rate comparable with the private sector and that the taxes are paid on that facility.

He distributed a letter the two legislative interim committees (Revenue and Taxation Interim Committee and the Business and Labor Interim Committee). The letter recommended to legislative management that a task force be appointed to study this issue. Senator Stephenson asked the Privatization Board to endorse the concept of a legislative task force, and suggested that it include some legislative members of who also serve on the Privatization Policy Board.

Senator Goodfellow made a motion and Representative Hunsaker seconded that motion to support the recommendation of the legislative committees and also endorse the creation of this legislative task force. The motion was unanimously approved. Senator Goodfellow cautioned that the task force (if adopted) be careful to insure that public entities not be allowed to spin off into 501C3's to get out of the overview of any proposed legislation.

Discussion Items for Future Meetings

Senator Goodfellow indicated that he had been contacted by Convergys who would like to come to the September meeting and make a presentation. Senator Goodfellow will invite them to come to that meeting.

September Meeting

The next meeting will be on September 27, at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday April 26, 2006 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Senator Brent Goodfellow - Chair, Steven Dickson, Tanya Henrie, Jim Kesler, Ted Boyer, Douglas Richins

Excused

Fred Hunsaker, Steve Wrigley

Absent

Norm Tarbox, Senator Chris Buttars, Gretta Spendlove

Visitors

There were no visitors at this meeting.

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Mr. Boyer motioned for approval of the minutes. Mr. Kesler seconded that motion. The minutes were unanimously approved.

Review of Draft Annual Report 2005

Senator Goodfellow thanked Mr. Richins for all of his hard work creating a draft of the Privatization Policy Board Annual Report for 2005. Several improvements to the report were suggested.. Mr. Richins will make those changes and distribute the report to the parties that are articulated in the board statute. There was a motion by Mrs. Henrie to approve the Annual Report. Mr. Dickson and Mr. Kesler seconded that motion. The Annual Report was unanimously approved.

SB74 Privatization of Government Functions Task Force

Senator Howard Stephenson, who sponsored SB74 which would have created a new task force to evaluate privatization issues, was invited to discuss privatization issues and his goal in establishing the new task force and how he perceived the new proposed task forces role would be different or the same as the Privatization Policy Board. Senator Stephenson was not able to come to the April board meeting, but is planning on coming to the May board meeting.

Prioritization of Discussion Items for Future Meetings

The board entertained a general discussion of on a variety of issues relative to privatization. It was noted that the agenda for the Utah Taxpayers Association's annual meeting on May 5th includes a discussion on privatization. The board discussed briefly the privatization of prisons. There was a healthy discussion on areas that the board would like to review in future board meetings. The board digested the list down to the following.

1. Unfair Competition with the Hospitality Industry
2. Unfair Competition with Fitness Centers
3. UDOT Toll Roads
4. UDOT Outsourcing of Highway Maintenance (ie. Bangerter Highway)
5. Operation of State Parks

6. GOED Privatization to EDCU
7. Update on Petroleum Storage Tank Trust Fund
8. UTOPIA

May Meeting

The next meeting will be on May 24, 2006 at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday December 21, 2005 10:00 a.m.
Room 1112, State Office Building
Salt Lake City, Utah

Attendees:

Senator Brent Goodfellow, Representative Fred Hunsaker, Ted Boyer, Steven Dickson, Steve Wrigley, Jim Kesler, Douglas Richins

Excused

Tanya Henrie, Robin Riggs

Absent

Norm Tarbox, Senator Chris Buttars, Gretta Spendlove

Visitors

Brad Johnson - DEQ, John Menatti - DEQ, Dianne Nielson - DEQ, Dale Marx - DEQ, John Hill - UPMRA, Jeff Done - Fleet Operations/Fuel, Brian Allred - OLRGC, Mark Ellis - Ellis Environmental, Paul Ashton - PRO

Welcome and Introductions

Senator Brent Goodfellow conducted the meeting.

Approval of Minutes:

Representative Fred Hunsaker motioned for the approval of the November minutes. Jim Kesler seconded that motion. The minutes were unanimously approved.

Storage Tank Trust Fund Issue

Brad Johnson, director of the Division of Emergency Response and Remediation in the Dept. of Environmental Quality gave an update on the issues discussed in the meeting with the Underground Task Force. DEQ has regulatory aspects delegated from the US EPA and also has responsibility for management of the fund. Only two states are like Utah in this respect. Most of the states separate these two functions with the regulatory being with DEQ and the fund management coordinated by another state entity (ie. Dept. of Commerce). The ½ cent surcharge currently generates \$6 million annually. 85% of tanks in Utah are on the PST fund. 3,500 sites have been cleaned-up. Mr. Johnson indicated that the DEQ task force recommended the following: 1. An owner should be required to put all their tanks on the program, or include none in the program (all or none). Representative Ure has opened a bill file to accomplish this. 2. The task force does not feel that the management of the fund is appropriate for privatization at this time. 3. The task force would like to develop a process to look at graduated fees for fund participants based on the age of the tank, etc. Mr. Johnson gave a slide presentation on the Petroleum Storage Tank Trust Fund Issue and passed out a hard copy. There was a healthy discussion on this subject.

Jon Hill representing the petroleum marketers association indicated that he supported Mr. Johnson's presentation, and said that his association does not support privatization of the fund at this time.

Paul Ashton representing the petroleum retailers association said that he fears that safeguards are not in place to protect the fund. He expressed concern that the state may not be up to date on the technology available for clean-up. He wonders if the gas station owner should be making the decision on selecting

consultants and contractors for the remediation when the state is ultimately paying the bills. He opined that there should be some type of competitive bid process involved in selecting the consultants and contractors.

Mark Ellis said that he believes that it would be prudent to separate the regulatory aspect from the management and administration of the fund. He expressed concern in his opinion DEQ doesn't adequately audit or inspect the work of the consultants.

Senator Goodfellow said that DEQ has both an advisory and regulatory board and that at this point it doesn't appear that further study or action is needed by the Privatization Policy Board on this issue. The board said however that they would like a report on the result of the Ure legislation. (Note HB271 Petroleum Storage Tank Trust Fund Amendments was approved by both the Utah Senate and the Utah House in the 2006 Legislative Session.

Reorganization of Board Leadership

Mr. Kesler nominated Senator Brent Goodfellow as the new Chair of the Privatization Policy Board. Representative Fred Hunsaker seconded that motion. There were no other nominations. Representative Fred Hunsaker moved that all nominations cease and that Senator Brent Goodfellow be elected. The Board unanimously approved.

It was decided to hold off on nominating the Vice Chair until the next meeting.

Other Business

Mr. Richins was asked to draft a letter to Ramona Rudert thanking her for her service on the Board. He was also asked to develop a draft of the board's annual report (1-2 pages).

March Meeting

The March Meeting has been cancelled. The next meeting will be on April 26, 2006 at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday November 23, 2005 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Representative Fred Hunsaker, D. Chris Buttars, Steve Wrigley, Jim Kesler, Ted Boyer, Gretta Spendlove, Douglas Richins

Excused

Senator Brent Goodfellow, Tanya Henrie, Steve Dickson

Absent

Norm Tarbox, Robin Riggs

Guests

Mark Ellis – Ellis Environmental, Paul Ashton – Petroleum Retailers Organization

Welcome and Introductions

Senator Chris Buttars conducted the meeting.

Approval of Minutes:

Ted Boyer motioned for approval of the September minutes and Jim Kesler seconded that motion. The minutes were unanimously approved.

Presentation by Paul Ashton from Petroleum Retailers Organization and Mark Ellis of Ellis Environmental

Mr. Ashton gave his perspective on why the underground storage fund was created; to help small gas station operators cover their liability from leaking tanks. He said that he is concerned that the amount in the fund is inadequate to cover the potential needs. He expressed concerns with the management of the fund and the state's oversight of the remediation projects being paid for from the fund. He suggested that better oversight was needed, and that perhaps privatization was one possible solution. Senator Buttars indicated that he believed that private industry could administer the fund more effectively. Mr. Ellis said that he is a private contractor involved in cleaning up leaking underground storage tanks. He was formerly employed by the Department of Environmental Quality in the program that administers the fund. He said that he was involved in starting the program here and has also watched similar programs in other states. He believes that none of the state run programs are working. He has performed 90 cleanups in Utah under the fund. His firm uses bio-remediation methods for clean-ups. He suggested that Utah follow a privatized plan similar to one used by the state of Iowa. He suggested that there are two issues: 1- a need to have a financially solvent and solid fund, and said that a problem stems from retailers being able to opt partially or totally out of the fund; 2- he feels that the fund could be administered better. There was a healthy discussion by the board on this subject. It was decided to table this issue until the next meeting. At the December meeting it was suggested that perhaps we could have a report on the workings and decisions of the DEQ led Underground Storage Tank Task Force. It was suggested that Brad Johnson from DEQ and Jon Hill from the Utah Petroleum Marketer's Association be invited to attend the meeting for their perspective. Mr. Ashton and Mr. Ellis said that they will try and bring information on the Iowa model. Senator Buttars will investigate whether there is a legislative bill filed on this issue.

The board then took a tour of the new privatized Copy Center on Capitol Hill.

December Meeting

The December 21, 2005 meeting will be held at the State Office Building in room 1112 at 10:00 a.m...

Minutes of the Meeting of the Utah Privatization Policy Board

Wednesday September 28, 2005 9:00 a.m.

Department of Corrections Executive Conference Room
Draper, Utah

Attendees:

Chair, Senator Brent Goodfellow, Ted Boyer, Jim Kesler, Steven Dickson, Steve Wrigley, Tanya Henrie, Douglas Richins

Excused

Representative Fred Hunsaker, Norm Tarbox, Gretta Spendlove, Robin Riggs, Senator Chris Buttars

Guests

Scott Carver -Utah Department of Corrections
Brad Johnson, John Manatti, Bill Sinclair – Department of Environmental Quality
John Hill – Utah Petroleum Marketers Association

Welcome and Introductions

Senator Brent Goodfellow, Chair, conducted the meeting. The board was informed about Ramona Rudert's resignation from the board (copy attached). Her exemplary service was noted with great appreciation. Her tremendous leadership and perspective will be sorely missed.

Approval of Minutes:

Jim Kesler motioned for approval of the June 2005 minutes and Steven Wrigley seconded that motion. The minutes were unanimously approved.

Presentation by Scott Carver, Executive Director, Department of Corrections

Mr. Carver handed out a Privatization White Paper that was presented to the Governor. He gave a brief history of privatization issues that the prison system has dealt with over time. Mr. Carver stated that he was against privatization of prison operations. He feels that the prisons are a government responsibility and should remain that way. Mr. Carver and the board then had an open discussion on this subject. (A copy of Mr. Carver's white paper is included with the minutes.)

Presentation by Brad Johnson from DEQ on Petroleum Storage Tank Trust Fund Issue

Representative Bradley Johnson made the suggestion to refer this issue to the Privatization Policy Board. The underground storage tank program regulates the storage of hazardous substances in underground tanks. The primary things stored underground are gasoline fuels, diesel fuels and jet fuels. These tanks are primarily located at gasoline stations. There are currently about 4,000 tanks in 1,300 facilities that are regulated at this time. The Department of Environmental Qualities cost to administer the fund is about 1.1 million dollars. This includes compliance and regulatory issues. It is estimated that 15% is spent on administration of the fund and 85% is spent on compliance and regulatory issues. There is also an underground storage tank advisory committee task force in place. Mr. Johnson thinks there are about ten states that have some aspect of a privatized fund with many different models. Mr. Hill stated that Iowa was a success. There was a healthy discussion and a slide presentation given by Mr. Johnson.

The board then took a tour of Surplus Property located in Draper.

October Meeting

The October meeting was cancelled.
Our next meeting will be November 23, 2005.

PRIVATIZATION WHITE PAPER

September 28, 2005

Before a position can be established on what part private prisons can play in the Utah correctional system, important considerations must be discussed. The purpose of this paper is to open that discussion. This is an important public policy issue and as such, there are many individuals and organizations that play a role in the finalization of a decision.

Why Privatization?

The first question that must be addressed is "What problems are we trying to solve with the contracting of prisoners to a for-profit company"? The following are justifications used by private correctional companies to advance their argument for favorable consideration and inclusion in state correctional projects. The private prison industry has grown in market share through three claims, (1) they can build faster, (2) they can build prisons cheaper, and (3) they can run a better prison. The following is a very brief analysis of each point based on real life experience with privatization in Utah involving Management and Training Corporation (MTC), Cornell Correctional Services, Dove Development and years of studying the privatization issue.

Private Companies Can Construct Facilities More Quickly

Because they are not held to the same requirement to treat all vendors fairly in the award process the private companies can begin construction sooner.

Government has an obligation to ensure all parties are provided equal opportunity to bid on projects and that favoritism is not tainting the process. This necessarily increases the time it takes to award the projects and therefore also adds a minimal increase to the cost.

Private Companies Can Construct Facilities at a Cheaper Cost

The saving of time translates into a savings of dollars. Also, there are some oversight expenses that add a small amount to government projects. Some private companies have a standardized design that they use in all applications thus saving cost and time in the architectural phase.

If the construction requirements are the same and if you exclude the cost for "government", the facility construction cost will be the same for both government and private contracts.

An important point to keep in mind is that construction costs are only 5% to 8% of the total cost over the life of the facility. Also, the difference between a state build and a private build will only be 1%-2% of the total operational cost over the life of the facility. We should not make decisions that have a 50+ year impact based on this minor overall

expense. By cutting corners at this stage, we could greatly increase the long-term cost of operations that will multiply for the intended 50 year lifespan of the facility.

Private Companies Can Operate at a Cheaper Cost

The cost per day to operate a prison is determined by the services and treatment provided and by the personnel expense to provide those services. The ways to reduce these costs are; employ fewer people, pay them less, reduce food and maintenance costs, reduce medical costs and provide fewer services.

The quality of the correctional officer force is the most important and critical safety feature of any prison. Since the security and safety of the prison can be completely undermined by just a few unqualified employees, it is vital that only good people are hired into these positions. Currently, UDC will screen 4 people to hire 1 that meet our standards of employment. Our staff are some of the lowest paid in the market and in state government. The state benefit package and their commitment to the job and career is what keeps our prisons staffed, but still, recruitment and retention is a constant struggle. These standards can not be compromised.

Medical care and treatment for addictions, education, and mental health are areas that are mostly under funded in our state system. If there were more funds available we could treat more offenders. Private vendors can provide for these services but can only do so at a cost that will ensure their profit margin. The usual private provider contract will cap medical expense to prevent a loss of profit from single cases. If these typical state expenses are added to the cost per day for housing, the private vendors are in line with state costs or may be higher as was the case with the Cornell contract.

Private Providers Can Operate a Better Prison

In 1995 UDC contracted with a private company to operate a 400 bed pre-release facility. It was to assist inmates who were 90 days short of release to find a home, a job and connect with treatment once they paroled out. The unit quickly suffered multiple escapes and developed a reputation as a drug infested unit. Staffing levels were left short in order to save money, so services were not provided. Upgrades had to be done on the doors and locks because they were so inferior they would not operate. The fence was so inadequate that inmates only had to lift it up and crawl under to escape. The result was that the facility never fully accomplished its mission.

In some areas of the country it is common knowledge that there are major problems in the correctional systems of their states. If the pay is too low to attract a qualified work force, or if the work force does not possess the work ethic like we have in Utah, there will be problems in the prison. We do not have that situation here. We are proud to say we have the best staff in the country and we believe we have the best run prisons in the country for the cost. Simply put, no one can run a better prison.

Private prisons have now been operating since the early 1980's. Several meta-analysis studies have been completed looking at the differences and savings provided by the private vendors. The results of these latest studies (for the past 10 years) show that there is no advantage in cost or operation by using a private contractor.

OTHER CONSIDERATIONS

Is it Morally and Ethically Right for Private Business to Profit From Incarcerating Citizens?

Simply put, government exists to protect the liberty of its people. It is to ensure all are treated fairly and equally and to protect us from abuse. The Department of Corrections is the state agency that is charged with **taking** and **managing** the liberty of our citizens committed to our prisons.

When a person is sent to prison, we tell them when to eat, sleep, and work. We tell them when they can visit, who they can visit with, and for how long. We govern what they wear, what they read and who they can talk to on the phone. In short, the prison governs their liberty. *This is the pure essence of government.* It should not be the venue of a profit making business.

Private Corrections Companies Operate on a Profit Motive.

There is an extremely important difference in *focus* between a state run prison and a private run prison. A state operation is concerned with rehabilitation as its primary goal. That is why it exists. It is how it accomplishes its mission of public safety through the change of behavior of its offenders. A private prison is in existence to make money. If it does not make money, it will close. This difference is seen in every aspect of the two operations from the building of the facilities to the staffing component. The profit motive is not compatible with the incarceration and treatment of offenders.

Why Privatizing is a Risk

Once a state turns over a piece of its correctional system to a private business, it becomes subject to the "market", that is, when the operational costs rise, the state must cover them or risk the pull out of the vendor. This increasing expense is usually covered in the contract by an escalation clause that guarantees the contractor an increase every year that is tied to inflation. The state operation has no such guarantee.

If a private vendor decides to pull out it would leave the state in a serious crisis by having to take over a facility without the resources to do so. It is this situation that forces states to keep agreeing to pay the demanded increases that keep private businesses profitable.

The State Never Gives Up Liability, Only Control

The state retains the liability for the actions of the vendor. If the contractor is found guilty of violating the rights of an offender in their care, the state, not the contractor, must pay. There is no protection of governmental immunity for the employees of the private business.

Colorado, New Mexico, Nevada, California and several Mid-Western and Eastern states have all experienced serious problems in their private run prisons. These problems range from cost escalations and staff strikes to riots and inmate homicides. These states are taking over some of the private contracts as a result.

What Services Can Private Corrections Provide?

The appropriate role for private providers to play is in providing treatment for offenders. They are well suited to fill the void in treatment programs such as substance abuse or sex offender treatment, operating within a state run facility or a community based program.

Conclusion

The Department of Corrections is a unique state agency in that the services it provides are forced on its "customers". No one comes to corrections seeking help. However, it fills a governmental responsibility vital to the well being of our communities.

There are many factors that come into play in the development of public policy. The information provided herein is meant to be added to those other factors in this discussion to ultimately result in the best possible policy being made.

Our recommendation is that Utah State government continue to be responsible for and be the sole provider of, State correctional services.



UTAH UNDERGROUND STORAGE TANK PROGRAM

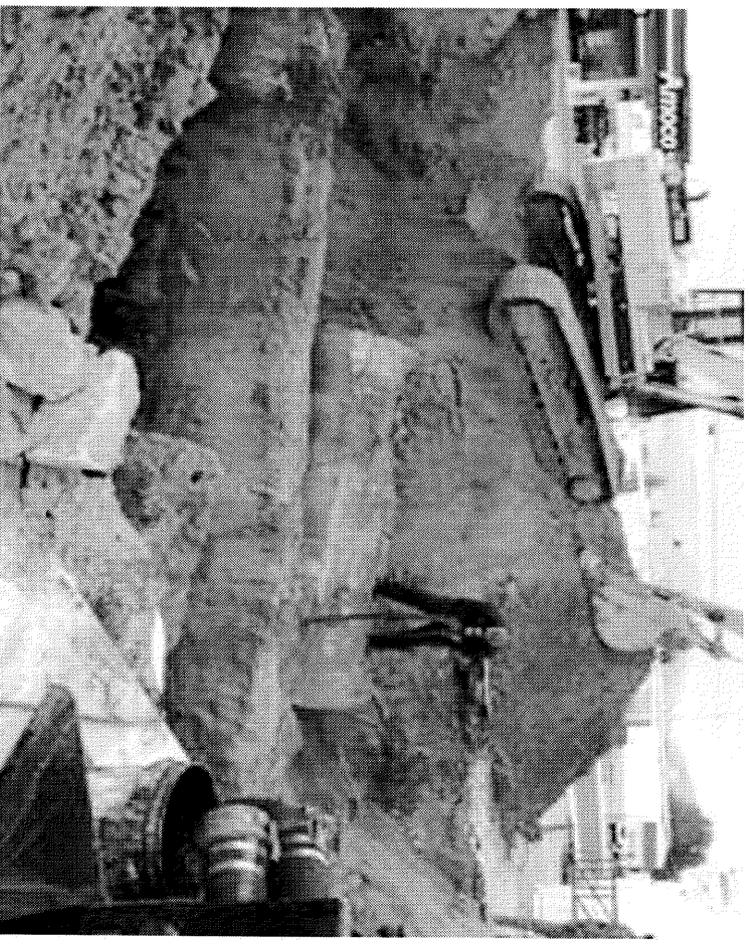
Brad T Johnson, Director
Division of Environmental
Response and Remediation

UNDERGROUND STORAGE TANK PROGRAM

- Regulates the storage of hazardous substances in underground tanks.
- Protection of human health and the environment from leaks associated with underground tanks.
- Program is delegated by EPA.
- Two primary functions of the program:
 - Compliance.
 - Cleanup.

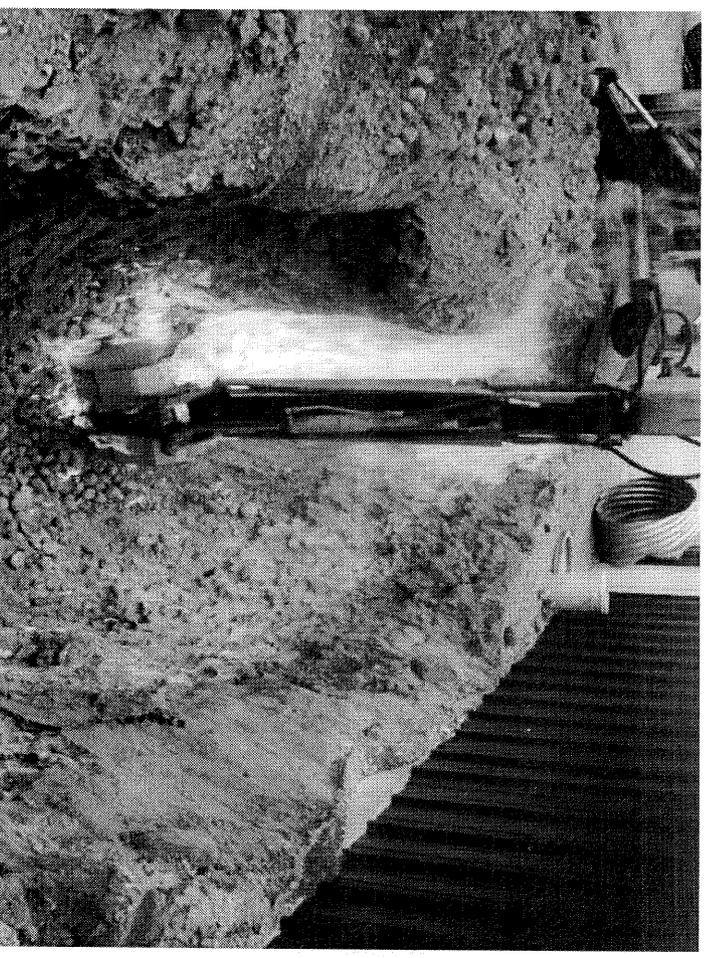
COMPLIANCE

- Requirements for installation and closure of tanks.
- Record-keeping requirements.
- Release detection requirements.
- Financial assurance.
- Routine compliance inspections.



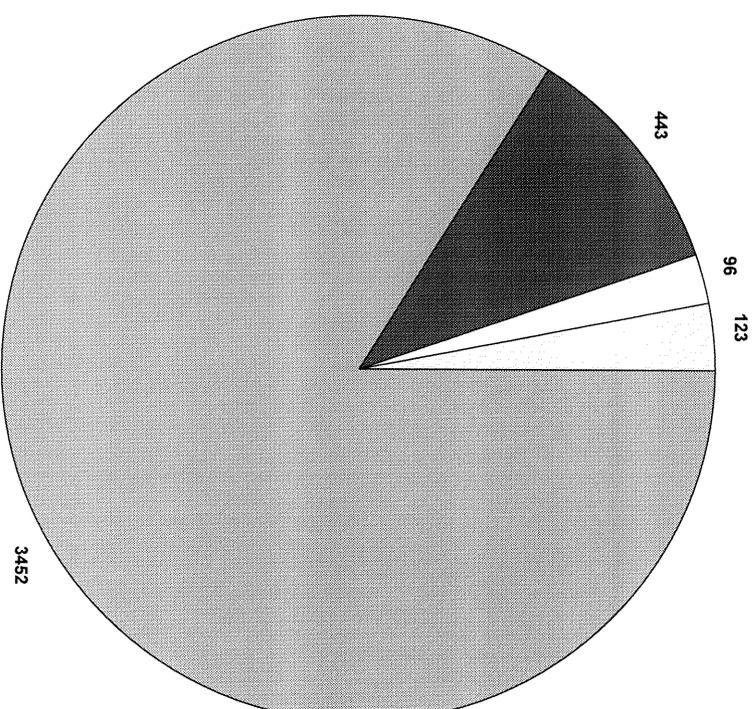
CLEANUP

- Owner performs investigation.
- Technical oversight by DEQ.
- Cleanup must meet established standards.



FINANCIAL ASSURANCE REQUIREMENT

- Self Insure.
- Private Insurance.
- Petroleum Storage Tank Trust Fund (PST).
- Exempt Tanks.



- Tanks on PST Fund
- Tanks Using Other Financial Responsibility Mechanisms
- Tanks Exempt from FR Requirements
- Tanks with No Financial Responsibility Mechanism

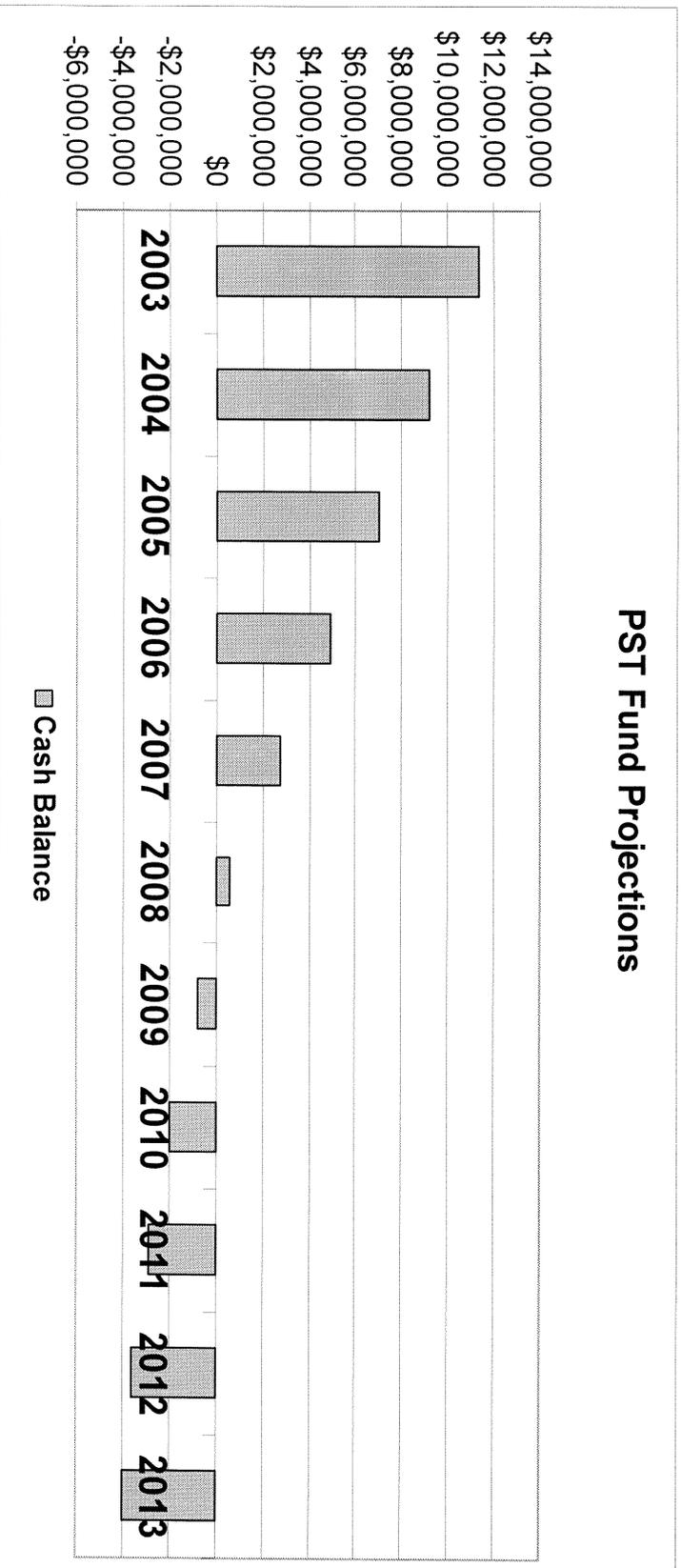
PST FUND

- 1/2 Cent/Gallon Fee.
- \$10,000 Deductible.
- \$1,000,000 Coverage Limit.
- Annual Actuarial Report.

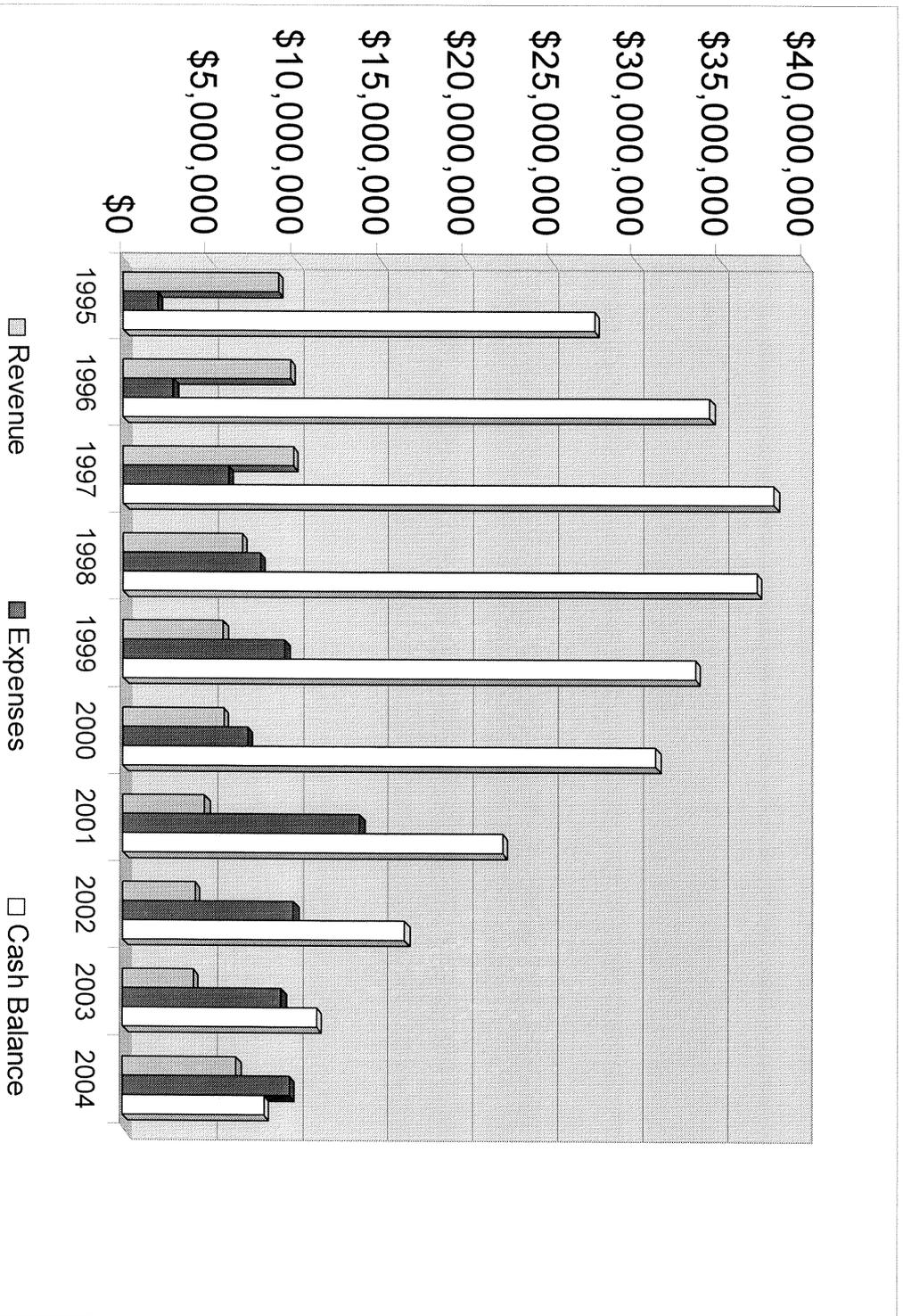
ACTUARIAL PROJECTIONS

CASH BALANCE

PST Fund Projections



PST FUND HISTORY



PST PROGRAM ADMINISTRATION

- 1.5 FTE Accounting Support
- 7 Technical Project Managers
- 1 Section Manager
- Legal and administrative support.

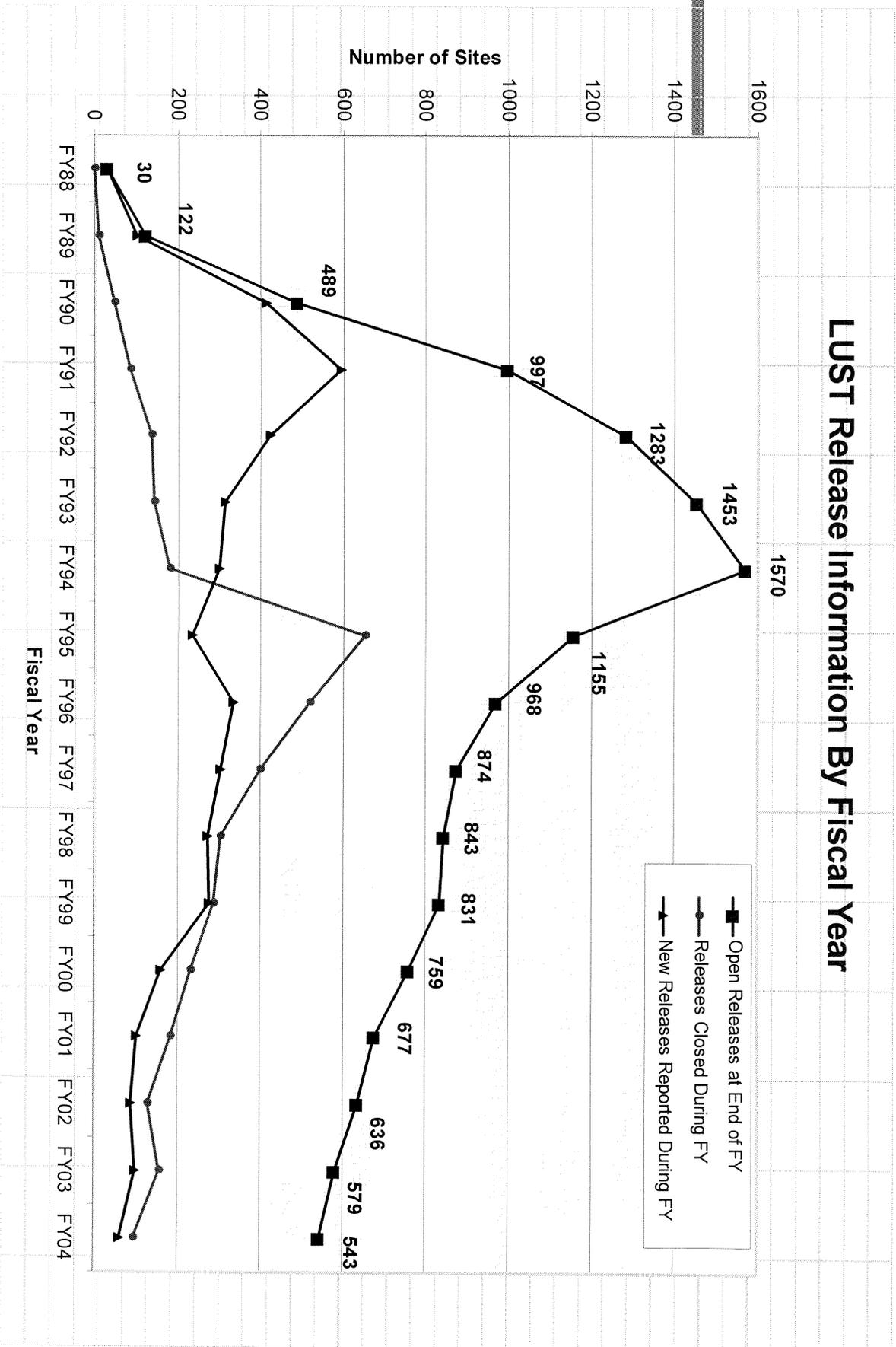
PST CLAIMS PROCESS

- Work Plans and Budgets.
- Agency review and approval.
- Claims for reimbursement.
- Time and Materials or Pay for Performance.
- Customary and reasonable standard.

UST ADVISORY TASK FORCE

- **MEMBERSHIP:**
 - **UTAH PETROLEUM ASSOCIATION:** Lee Peacock
 - **UTAH PETROLEUM MARKETERS AND RETAILERS ASSOCIATION:** David Bell
 - **UTAH FOOD INDUSTRY ASSOCIATION:** James Olsen
 - **STATE GOVERNMENT:** Jeff Done
 - **FACILITY OPERATIONS:** Dennis Riding
 - **FACILITY OWNERS:** Mike Sullivan
 - **UST CERTIFIED CONSULTANTS:** Janet Roemmel
 - **CERTIFIED UST INSTALLERS/REMOVERS:** Paul Royall
 - **GENERAL PUBLIC:** Vacant

LUST Release Information By Fiscal Year



Minutes of the Meeting of the Utah Privatization Policy Board

Wednesday June 22, 2005 10:00 a.m.

Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Chair, Ramona Rudert, Representative Fred Hunsaker, Senator Brent Goodfellow, Senator Chris Buttars, Robin Riggs, Jim Kesler, Norm Tarbox, Steven Dickson, Douglas Richins

Excused

Ted Boyer, Steven Wrigley, Gretta Spendlove, Tanya Henrie

Approval of Minutes:

Ramona Rudert, Chair, conducted the meeting. Following identification of one correction to the draft minutes, Senator Brent Goodfellow motioned for approval of the April 2005 minutes and Jim Kesler seconded that motion. The minutes were unanimously approved as amended.

Memorandum to the State Department and Division Directors

A copy of the letter "Invitation to Submit Privatization Issues" that was sent out to the State Department and Division Directors was passed out to each board member. Mr. Richins indicated that he had received one email from a division director stating that he was thankful for the information and that their department may have an item in the future that they were working on and wanted to know the process of bringing it before the board.

New Appointments

Senator Brent Goodfellow, Senator Chris Buttars

Presentation by Norm Tarbox, Weber State University

Mr. Tarbox gave a presentation on the involvement of higher education and issues of privatization over the past few years. There are two main areas that deal with privatization. One of the main areas has to do with services on campus. These areas involve services such as student housing, food services, book stores and there has been a little discussion about recreation centers as well. Mr. Tarbox indicated that the budget constraints forces the institutions to evaluate whether services are more competitively provided internally or outsourced. The second general area focuses on the research universities and technology transfer. The board discussed the technology transfer from state universities to the private sector, a "privatization of ideas". Mr. Tarbox talked about other trends happening in other states where institutions of higher education are getting involved in developing retirement communities, golf courses, etc. for alumnus of these colleges. There are 20 or 25 developments that are already in place or under way. There is now a trend nationally to do this and it creates a stream of revenue that goes back into the universities.

Future Meetings and Topics:

August 24th Reception Facilities

September 28th Prisons – Corrections Department Director Scott Carver has invited the board to have the September monthly meeting at the Prison and have a discussion about aspects of privatization of prison functions and services. The meeting will start at 9:00 am. Senator Goodfellow suggested that since we will be in that area of the valley the board should consider including a tour of the Surplus Property facility.

October 26th There will be a tour of the new outsourced copy center run by Xerox.

August Meeting

The August meeting will be on August 24, 2005 at 10:00 am in the Division of Purchasing Conference Room.

Minutes of the Meeting of the Utah Privatization Policy Board

Wednesday April 27, 2005 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Ramona Rudert, Representative Fred Hunsaker, Robin Riggs, Tanya Henrie, Steve Wrigley, Jim Kesler, Steven Dickson, Senator Brent Goodfellow, Gretta Spendlove, Douglas Richins

Excused:

Ted Boyer, Norm Tarbox

Visitors

Jan Rogerson - Assistant Director, Division of Purchasing and General Services; Brian Jensen, Manager of Publishing Services

Approval of Minutes:

Ramona Rudert, Chair, conducted the meeting. Following identification of two corrections to the draft minutes, Representative Fred Hunsaker motioned for approval of the March 2005 minutes and Jim Kesler seconded that motion. The minutes were unanimously approved as amended.

Report from Sub Committee on the Privatization of Copy Services

Tanya Henrie presented the board with a handout titled "Outsourcing of Publishing Services" (copy attached to the minutes) and gave a report on the recommendation of the advisory group. The group, appointed by the board several months ago had thoroughly studied the financial history of Publishing Services and the deficit resulting from the Copy Centers. The advisory group was also involved as the division prepared and issued a Request for Proposal (RFP) to the private sector. Ms. Henrie chaired the advisory group and was included as an RFP evaluator. The advisory group unanimously recommended to the full board that privatization of the copy centers would result in enhanced service levels with a considerable cost savings. Following considerable discussion, the board unanimously adopted a recommendation articulated in a motion made by board member Jim Kesler, and seconded by Rep. Fred Hunsaker. The motion encouraged the Department of Administrative Services to privatize the high speed copy center function within the Division of Purchasing and General Services. As required by statute, letters will be sent on this privatization recommendation to the relevant department director, the Governor and the appropriate Legislative Appropriation Committee.

Other Business

Mr. Richins informed the board that an RFP was soon to be released for the proposed outsourcing of corporate and industrial recruitment services for the Governor's Office of Economic Development. Several board members asked that a copy of the released RFP be brought to the May board meeting. Also at the May meeting the board requested an update on any action that the Department of Administrative Services may have taken relative to the recommendation of privatizing the copy center function. Ms. Rudert indicated that she had been contacted by representative of the Restaurant association about potential issues of unfair government competition. In one of the upcoming board meetings they would like to come and present their issues to the board.

May 2005 Meeting

The next meeting will be held on May 25, 2005

Attachment – “Outsourcing of Publishing Services” report

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday December 22, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Ramona Rudert, Steve Wrigley, Commissioner Michael Cragun, Senator Ron Allen, Tanya Henrie, Bill Barton, Jim Kesler, Douglas Richins

Excused:

Ted Boyer

Absent:

Robin Riggs, Senator Dan Eastman, Norm Tarbox

Visitors

Senator Scott Jenkins, Jan Rogerson

Approval of Minutes:

Ramona Rudert, Chair, conducted the meeting. Jim Kesler motioned for approval of the November minutes and Tanya Henrie seconded that motion. The minutes were unanimously approved.

Presentation by Senator Scott Jenkins – Proposed Legislation Regarding Privatization

Senator Jenkins met with the board to continue the discussion that began in the November meeting (refer to the minutes of the November 24, 2005 Privatization Policy Board Meeting). To address what he believed may have been unfair competition by public golf courses. He originally contemplated proposing legislation allowing private golf courses to have an agricultural green belt exemption by changing the definition in statute to allow golf courses to be considered agricultural because they have more than five acres. Subsequently he has learned that such an effort would not be constitutional, and therefore will not be proceeding with that legislation.

Senator Ron Allen made a motion that the legislature be encouraged to adopt a “Truth in Competition” concept. The concept was that prior to entering a business that might compete with the private sector (ie. golf courses, recreation centers, etc.) the respective government would provide a “Truth in Competition” notice to potentially affected businesses, and possibly hold a public hearing before proceeding. Mr. Kesler seconded the motion and it was unanimously approved.

Other Business

Members leaving the board are: Representative Loraine Pace, Douglas Durbano, Elizabeth Hawkins, Bill Barton and Scott Carver. Reappointed to a new term on the board are: Norm Tarbox, Ramona Rudert and Senator Dan Eastman. The new members will be Representative Fred Hunsaker, Greta Spendlove, Robin Riggs, Steve Wrigley, and Steven Dickson. Bill Barton was asked to stay on the Annual Report Committee until the report was submitted and responses were received. The board decided not to hold a meeting during the 2005 legislative session.

High Speed Copy Services

At the request of the executive director of the Department of Administrative Services, Mr. Richins requested that the board evaluate whether a function in the Division of Purchasing and General Services could be more effectively and efficiently provided by the private sector. Within the Division of Purchasing and General Services there is a Publishing Services program that operates several high speed copying centers. Several years ago the State privatized its printing services but retained high speed copying centers. Mr. Rogerson (the assistant director of General Services) and Mr. Richins have been analyzing whether that aspect and believe this area has a potential for privatization. They also thought it would be an area that might be productive if the Privatization Policy Board would like to assign a sub committee to look at this issue. Currently the copy centers are operating in a deficit financial position. The outsourcing of this function would displace 13 employees. Tanya Henrie was asked to chair this sub committee. Mr. Rogerson, Mr. Kesler and Mr. Wrigley were also asked to be on this sub committee. The subcommittee will report back on its findings at the next board meeting.

Annual Report

After discussion, and refinement, Mr. Barton made a motion to accept the proposed annual report. Senator Allen seconded that motion and it was unanimously approved. Mr. Richins was directed to release the report to Governor Walker and the current legislative leadership, and then to the new governor and legislative leadership and after the inauguration.

March 2005 Meeting

The next meeting will be held on March 23, 2005

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday, November 24, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Ramona Rudert, Ted Boyer, Bill Barton, Jim Kesler, Tanya Henrie, Commissioner Michael Cragun, Representative Brent Goodfellow, Senator Ron Allen, Douglas Richins

Excused:

Norm Tarbox, Senator Dan Eastman

Absent:

Liz Hawkins

Visitors

Senator Scott Jenkins, Mrs. Becky Jenkins, Irene Werthmann

Approval of Minutes:

The meeting was conducted by board chair, Ramona Rudert

Mr. Barton made a motion to approve the August and September minutes. They were unanimously approved.

Presentation by Senator Scott Jenkins

Senator Jenkins discussed the legislation that he proposed last year – SB022 that would have modified the provisions related to municipalities, counties, and special districts to require a study before the municipality, county, or special district may expend monies on facilities or services. His intent was that these entities conduct a study to evaluate the economic feasibility of such facilities or services and to evaluate the availability of private entities already provided the desired service or function. Senator Jenkins stated that it was important to stop government from competing with private enterprise. He distributed a handout prepared by Gold's Gym that displays a comparison of profits at different government owned and operated recreational facilities. There is only one profitable facility which is the Cottonwood facility. All of the other recreational facilities are losing money. SB022 stated that if a municipality was going to go into a new venture (something they had not done before) then they would have to do an economic impact study on that venture so at least they knew who it was going to effect and make sure that it was going to be profitable. The bill had legislative committee support but didn't pass the entire senate due to lobbying from the League of Cities and Towns and the Association of Counties, according to Senator Jenkins. He stated that during legislative interim he decided that he would look at each recreational facility one at a time starting with the golf courses. In the next session he will propose legislation allowing the golf courses to have an agricultural green belt exemption by changing the definition in statute to allow golf courses to be considered agricultural because they have more than five acres. He stated that "The only way to make the playing field level for private golf courses is to give them an exemption on their purchases and on their property tax. The health clubs really want an exemption on their purchases as well. The inconsistency comes from the fact that the municipally owned recreational centers don't pay taxes. The problem is we don't know where to draw the line."

There was a healthy discussion on this issue and other privatization issues by the board with Senator Jenkins. Senator Jenkins had to leave the meeting but promised to continue this discussion at a future board meeting.

Annual Report

Mr. Barton, in behalf of the annual report subcommittee, presented a draft copy of the Annual Report. Some changes were suggested and will be incorporated into the report. The final draft copy will be emailed to the board members, and then the board members may email their approval/disapproval to Sue Hoskins. It was agreed that if the board member did not respond back an approval would be assumed. Ramona Rudert will write the cover letter to accompany the report.

Other Business

Mr. Richins mentioned the there was a privatization decision made in West Valley City recently where the city after many years of contracting for ambulance service with a private firm has awarded the contract for ambulance service to the city fire department. The private firm (Gold Cross) is appealing that decision.

Ms. Rudert adjourned the meeting.

December 2004 Meeting

The next Privatization Policy Board Meeting will be held on December 22, 2004 at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday, September 22, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Ramona Rudert, Jim Kesler, Bill Barton, Ted Boyer, Michael Cragun, Senator Brent Goodfellow
Douglas Richins

Excused:

Ron Allen, Tanya Henrie

Absent:

Scott Carver, Norm Tarbox, Douglas Durbano, Senator Dan Eastman, Liz Hawkins

Approval of Minutes:

The meeting was conducted by board chair, Ramona Rudert. Because there was not a quorum the minutes were not approved.

Finalization of Solution of Optical Industry Findings

Mr. Boyer composed a report to the Utah Legislature on a solution to the optical industry findings. After a healthy discussion the letter was finalized and was ready to be sent to the legislature. The letter was to be carbon copied to Mr. Knighton.

Other Business

Scott Carver put in his letter of resignation. Ms. Rudert is going to compose a letter thanking him for his service on the board and wishing him the best of luck in his new position. The letter was to be carbon copied to the UPEA.

The crack sealing issue was brought up. It was decided that the board did not want to make a recommendation to the Executive Director of UDOT but would include it in our recommendation letter to the legislature.

It was decided to create a sub group to construct the annual report to the legislature. This group is going to review the minutes dating back to January 1, 2004. The group was to look at the issue, who presented the issue and create a report from this information.

The sub group members will include: Ramona Rudert, Bill Barton, Ted Boyer, Douglas Richins and Sue Hoskins

October 2004 Meeting

It was suggested to the board to leave the October 27th slot open just in case there was an issue to be discussed. If there were no issues the sub group for the Annual Report will meet on Wednesday, October 27, 2004 when our usual meeting should be.

Ms. Rudert adjourned the meeting.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday, August 25, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Ramona Rudert, Jim Kesler, Bill Barton, Tanya Henrie, Senator Ron Allen, Ted Boyer, Michael Cragun, Douglas Richins

Excused:

Liz Hawkins

Absent:

Representative Brent Goodfellow, Scott Carver, Norm Tarbox, Douglas Durbano, Senator Dan Eastman

Visitors

Noall Knighton from Knighton Optical and Eric Knighton from Knighton Optical

Approval of Minutes:

The meeting was conducted by board chair, Ramona Rudert. With one correction a motion was made by Ted Boyer and Tanya Henrie seconded the motion and the minutes of the June 2004 were unanimously approved.

Presentation by Noall Knighton from Knighton Optical

Mr. Knighton gave his presentation objecting to the University of Utah Moran Eye Center competing with the private sector by providing optometric service to the private sector. Among Knighton's arguments were: Knighton Optical pays property tax and income tax. Moran Eye Center does not. Knighton stated that the Moran Eye Center's customers pay sales tax but the Moran Eye Center does not. Knighton Optical pays about \$90,000 in use tax per year and Moran Eye Center does not. Moran also collects sales tax but does not pay a use tax. Mr. Knighton indicated that insurance costs are huge. He pays out about 3 million per year. Moran Eye Center has the ability to rely upon the State Limit of Liability Act. Mr. Knighton's liability insurance is \$50,000 per year. Moran only has to pay \$10,000 per year in liability costs. The Moran Eye Center has four full time fund raisers. Curiously, Knighton said that the Moran Eye Center will also not accept patients from Healthy U. (a program for charity cases.) They won't even see them because it is not enough money for them. Mr. Knighton stated that the proliferation of Moran is ruining the private optometric industry.

Senator Allen stated that funding is cut to all educational entities including the Moran Eye Center. Presidents of higher education institutions and the Board of Regents all understand that they need to raise money from other sources because state funding is not going to be there and it is only going to get worse. They are pushing some of the government operations to privatize which make them automatic and stable competitors in the marketplace so you have some interesting political dynamics going on.

Other Business

1. Maxine Turner and Catering – It was decided that this decision was out of the scope of the Privatization Policy Boards influence.
2. Crack Sealing Issue – It was decided to take no further action with this issue.
3. State Fair – The State Fair is a private organization.
4. Whenever we have a news item the legislature will be informed.
5. Ted Boyer accepted the assignment to write a position paper about the Moran Eye Center/Knighton Optical issue.

September 2004 Meeting

The next meeting will be held on Wednesday, September 22, 2004

Issues for Privatization Board
Presented by Noall Knighton

1. Knighton Optical maintains lease awarded by competitive bid process at Moran Eye Center. Moran opened competitive optical store in Dec 2002.

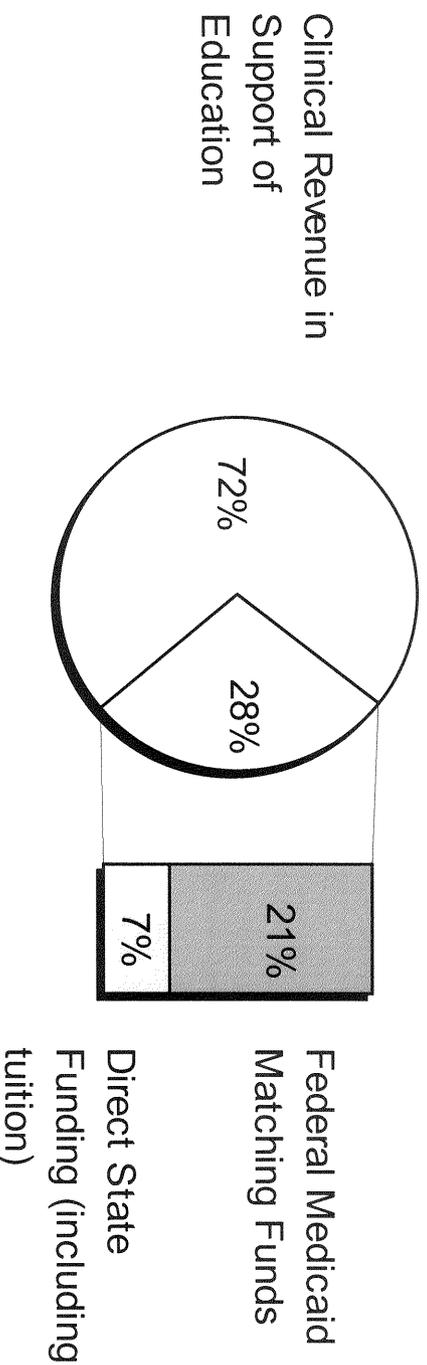
The Optical store is a commercial enterprise and does not have an educational or research mission.

2. Moran continues to open other stores in valley. These locations compete as commercial optical stores and with private optometrists. The university does not provide degrees in opticianry or optometry. The community in the private sector is serving these functions.
3. Moran plan to open lens production facility on campus to compete with private wholesale labs. This should be prevented.
4. Moran holds contracts with private, for profit health insurance companies such as Altius. I have spoken with Altius and they do not feel it necessary to have contract sent out for bid because the "University gives use such a good price." Price cutting by the University should be prevented.
5. The University should be prevented from competing with the private sector. The architects and engineers had legislation sponsored by legislator, SB20 in 2000 that prevented any university from using university, employees, students and assets in responding to RFP, and doing work that competed with the private sector.



University of Utah
Moran Eye Center

Annual Costs of Education = \$1.2 million



- The John A. Moran Eye Center is home to the University of Utah's Department of Ophthalmology & Visual Sciences and is widely regarded as one of the top vision research and treatment centers in the world. The center's 41 faculty members are committed to educate and train future eye doctors, to find cures for blinding eye diseases through research, and to provide compassionate health care to the community.
- The center's residency program is consistently ranked among the best in the country. More than 300 applications are received each year for the center's highly coveted residency and fellowship positions. In addition, dozens of medical students rotate through the center each year as part of their clinical training.
- As researchers, educators and physicians, the medical faculty at the Moran Eye Center provide cutting edge clinical care to patients. These patients provide students with exposure to a wide variety of diseases and conditions that is essential for success medical education.

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday, June 23, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Ramona Rudert, Senator Dan Eastman, Representative Brent Goodfellow, Senator Ron Allen, Ted Boyer, Bill Barton, Representative Loraine Pace, Jim Kesler, Douglas Richins

Excused:

Scott Carver, Commissioner Michael Cragun

Absent:

Norm Tarbox, Douglas Durbano, Liz Hawkins, Tanya Henrie

Visitors

Noall Knighton from Knighton Optical, Eric Knighton from Knighton Optical, Robin Riggs from Salt Lake Chamber, Katie Albright from Moran Eye Center, Kim Wirthlin from University of Utah, Wayne Imbresica from Moran Eye Center, John Morris from University of Utah, Brent Price from University of Utah, Randall Olson from University of Utah, Maxine Turner from Cuisine Unlimited

Approval of Minutes:

The meeting was conducted by board chair, Ramona Rudert. Following a motion by Senator Ron Allen the minutes of the May 2004 were unanimously approved.

Presentation by Noall Knighton from Knighton Optical

Mr. Knighton gave his presentation objecting to the University of Utah Moran Eye Center competing with the private sector by providing optometric service. He explained that six years ago he responded to a University RFP and was awarded a contract to lease space in the Moran Eye Center to provide an optical store. About 1 ½ years ago the Moran Eye Center chose to open their own competitive store in the same facility, resulting in a significant loss of business for Knighton. He indicated that the U of U Moran Eye Center also now operates seven optical stores throughout the area. Knighton suggests that these stores do not support an educational or academic research mission. He feels that the University should be prevented from competing with the private sector in the manufacturing of eye glasses. He further indicated that he has learned that the University plans on establishing their own lens production facility as well. Knighton, who operates 16 optical stores in Utah, believes that the University should not be competing with private industry. Attached to these minutes is a written summary of the issues presented by Mr. Knighton.

Presentation by Dr. Randall Olson, Director of the Moran Eye Center

Dr. Olson gave his presentation on his views about government competition dealing with the optical services. Dr. Olson also distributed a handout (also attached to the minutes) of the Moran Eye Center's annual cost of education. He indicated that the state only provides 7% (including tuition) of their funding, and that they are then tasked with the challenge of funding the balance. Offering optometric services provides a profit center for them. He agrees that Moran should not be in areas that are not part of their core competencies. However, he argues that optometric and lens production

is part of the mission of the Department of Ophthalmology and Visual Sciences, and a core element of what they should be doing. He reminded the board members that the Moran Eye Center is a net negative operation and that they need the income from the optometric services to survive.

Senator Ron Allen said that our universities are not now publicly funded institutions – they are partially publicly. The legislature has encouraged them to find ways of funding their programs outside of taxes and tuition.

Presentation by Maxine Turner from Cuisine Unlimited

Ms. Turner indicated that she was representing the catering association and discussed what they believe are challenges in providing catering at public venues. She indicated that at the present time there is not concern about unfair competition with private caterers. The group’s concerns center around institutions (ie. Red Butte Gardens) creating a “preferred vendor” list and the differences in catering requirements between various entities in state and local governments. Ms. Turner feels that there is no regulation. She feels that the state, county, and city should operate under the same guidelines. She would like the board to take a look at the requirements for guidelines for the various entities, and she recommends more openness for caterers to provide their services at the various venues.

June 2004 Meeting

The next meeting will be held on Wednesday, August 25, 2004

1. Discussion on unfair competition in optical services by the U of U’s Moran Eye Center
2. Decision on whether it is in the boards scope to discuss and implement the suggested changes affecting the catering industry

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday May 11, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Ramona Rudert, Representative Loraine Pace, Jim Kesler, Bill Barton, Representative Brent Goodfellow, Senator Dan Eastman, Ted Boyer, Douglas Richins

Excused:

Scott Carver, Commissioner Michael J. Cragun, Tanya Henrie

Absent:

Norm Tarbox, Douglas Durbano, Liz Hawkins, Senator Ron Allen,

Approval of Minutes:

The meeting was conducted by board chair, Ramona Rudert. Following a motion by Rep. Goodfellow, the minutes were unanimously approved.

Quorum Voting and Dates of Scheduled Meetings

There was a discussion on how the Board could conduct business during meetings when a full Quorum was not present. Several suggestions were made. However, after reviewing the statute (63-55a-2(3)(c) it was determined that the statute specifies the number of board members (eight) required for conducting the board's business. Any change in the number of members required for conducting business of the board would require a change in statute. Ramona Rudert has recently contacted the board members who have not been able to attend. All expressed interest in remaining on the board, but cited conflicts with the scheduled meeting day and time as the reason for not attending. It appears that moving the meetings to the 4th Wednesday of the month at 10:00 am will be the best for the majority. The board agreed to schedule future meetings accordingly. The board also decided to not schedule a meeting for July. It was noted that the term of service ends in July for Norm Tarbox, Doug Durbano, Liz Hawkins, Ramona Rudert and Loraine Pace. It was noted that members continue to serve until replacements are appointed, where applicable. Mr. Richins was asked to contact Nancy Brown in the Governor's Office to ask about reappointments and/or new appointments to the board.

Press Release

A draft of a press release announcing the change in board leadership and informing the public of the role of the board was reviewed. With a few changes suggested by the group, it will be sent out to major media outlets and business groups. Mr. Richins will coordinate this with the Governor's office, if necessary. Ms. Rudert indicated that she would send it to the chambers of commerce and business groups.

UTOPIA

There was a healthy discussion on whether the board should formally consider unfair governmental competition issue surrounding UTOPIA. It was the consensus that this issue, including the aspect of

unfair governmental competition, had been appropriately and extensively debated by the legislature. The board is interested in tracking the issue, however.

Other Issues

- Forwarded to the next agenda is a discussion of catering services at state venues. This was an item placed on the agenda at the request of Senator Allen.
- A concern was raised about unfair competition from the Moran Eye Center at the University of Utah who is now manufacturing eye glasses. The board agreed to place this topic on the agenda for the next meeting and invite representatives from the eye glass manufacturing industry (Knighton Optical), who raised the concern together with representatives from the Moran Eye Center. Ramona Rudert will make the invitations.
- Senator Eastman raised an issue with public entities, such as Eaglewood Golf Course, competing with private sector wedding and catering services.

June 2004 Meeting

The next meeting will be held on Wednesday, June 23rd at 10:00 am.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday April 13, 2004 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Representative Loraine Pace, Ramona Rudert, Ted Boyer, Tanya Henrie, Senator Ron Allen, Douglas Richins

Excused:

Scott Carver, Commissioner Michael J. Cragun

Absent:

Representative Brent Goodfellow, Norm Tarbox, Douglas Durbano, Elizabeth Hawkins, Senator Dan Eastman

Visitors:

Steve Jury from U'n Utah

Approval of Minutes:

Following a motion by Ramona Rudert, the minutes for January and March were unanimously approved with one typographical correction.

Potential Privatization of Certain Economic Development Sales Functions

Mr. Jury gave his arguments in favor of a potential privatization of certain economic development sales functions. He responded to David Harmer's, the Executive Director of DCED, presentation points with two handouts. One handout was of his response to Mr. Harmer's concerns and the other handout was a sample of specifications for an RFP that could be issued for recruiting. The board thanked Mr. Jury for his input, after which Mr. Jury left the meeting.

Later in the board meeting, following considerable discussion, the board adopted the following opinion articulated in a motion by Senator Ron Allen. The motion stated: "The board cannot find a reason why a privatized pilot project on economic development should not be tested". The letter is to be sent to the Governor, Mr. Harmer and legislative leadership.

Other Business

Mr. Kesler thanked the board for their support during the term that he served as chair. He proposed that the board reorganize with new officers. Mr. Kesler nominated Ramona Rudert to be the new Privatization Policy Board Chair. Bill Barton seconded his motion. All board members unanimously approved that Ms. Rudert would be the new board Chair. Bill Barton nominated Senator Ron Allen to be the Vice Chair and Representative Pace seconded his motion. All board members unanimously approved that Senator Ron Allen would be the new Vice Chair.

May 2004 Meeting

Bill Barton raised the issue whether the board is interested in adopting a position relative to UTOPIA. It was decided to forward discussion on that issue to the May meeting. It was also decided to discuss at the May meeting ways to “advertise” the existence and purpose of the board. One suggestion was to create a press release on the change of board leadership, and on the functioning of the board.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday March 9, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Senator Ron Allen, Ramona Rudert, Tanya Henrie

Excused:

Representative Brent Goodfellow, Scott Carver, Commissioner Michael Cragun, Norm Tarbox, Douglas Durbano, Elizabeth Hawkins, Representative Loraine Pace, Ted Boyer, Senator Dan Eastman

Visitors:

David Harmer, Executive Director Department of Community and Economic Development
Jeffrey Gochnour, Director, Division of Business Development

Approval of Minutes:

The minutes were not approved, as there was not a quorum.

Presentation from David Harmer

Mr. Harmer looks at economic development in 4 key pockets.

- ◇ Travel and Tourism
- ◇ Creation of New Companies
- ◇ Care and Feeding of Existing Businesses
- ◇ Recruitment

Problems with Mr. Jury's Plan

- ◇ Mr. Harmer feels that if Mr. Jury went out and contacted Fortune 500 or 1000 Companies that it would be very unlikely his visit would have an impact on their site selection process. Smaller companies would do better with this process.
- ◇ If the State paid Mr. Jury \$250 per year for each job for a 10 year period...how do we determine whether the company chose Utah because of Mr. Jury's visit or if they chose Utah on their own?
- ◇ Utah, unlike other states cannot offer an incentive package that attracts larger businesses. We tend to do better with smaller businesses.
- ◇ Procurement Rules
- ◇ Mr. Jury has experience in sales and marketing but has not experience in Economic Development
- ◇ How will Mr. Jury's plan be financed?

In Mr. Harmer's mind it would be difficult to put U in Utah over this process. Two well-known consultants reviewed Mr. Jury's plan and they felt the plan would not work. One consultant confirmed that in Wisconsin a plan like Mr. Jury's was tried and was shut down after 2 years.

April 2004 Meeting

Discuss presentations between DCED and Steve Jury

Discussion of Legislation that has to do with the Privatization Policy Board, SB-222 and HB-363.

New election of officers

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday January 13, 2004 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Representative Loraine Pace, Ramona Rudert, Ted Boyer, Senator Dan Eastman, Tanya Henrie, Liz Hawkins, Douglas Richins

Excused:

Representative Brent Goodfellow, Scott Carver, Norm Tarbox, Doug Durbano, Senator Ron Allen

Visitors:

Steve Jury from U ‘n Utah a Private Economic Development Company

Approval of Minutes:

The minutes for the December’s meeting were unanimously approved.

Presentation from Steve Jury:

Mr. Jury gave a detailed presentation on why Privatization of the marketing function within State Economic Development would be a good choice for Utah. He handed out a booklet with extensive information on his company.

Other Issues

A volunteer committee stayed after the meeting to draft a response letter to the Governor’s Office on why the Privatization Policy Board is valuable to the citizens of Utah.

March 2004 Meeting

The next meeting will be held at 10:00 on Tuesday, March 9, 2004. Agreed that the agenda items would include an invitation to representatives from the Department of Community and Economic Development to respond to Mr. Jury’s suggestion to privatize the Economic Development marketing function.

Mr. Kesler adjourned the meeting.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday December 9, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Representative Loraine Pace, Senator Ron Allen, Ted Boyer, Ramona Rudert, Tanya Henrie, Douglas Richins

Excused:

Doug Durbano, Senator Dan Eastman, Norm Tarbox, Scott Carver, Liz Hawkins

Approval of Minutes:

With a few changes the minutes for October and November were unanimously approved.

Discussion on Dissolution of the Board

Mr. Barton feels that the main reason to keep the board together is because of unfair government competition. It was suggested that the Governor and the legislators were the only other sounding boards for private vendors. Ms. Henrie stated that when she had a concern with unfair government competition her only recourse was to hire a lobbyist. Senator Allen stated that the legislature needs to know that there is a board. It was suggested that the Chambers of Commerce put information about the privatization board in their newsletters. Ramona Rudert was going to prepare a list of the Chambers and business groups that the board could notify of the board's existence and mission. Senator Allen and Representative Pace will inform their respective houses of the legislature about the board.

UTOPIA

Mr. Barton handed out information on "UTOPIA" which is a fiber optic network that will include "last mile" connections to businesses and residences. He suggested that this might be a topic that the board could consider. It was decided that if the board received a request to examine this issue, the March meeting would be a good time to have an overview of the issue. Bill Barton indicated that he anticipated a request coming from a city council member for the board to consider. It was suggested that Paul Morris from West Valley City, who is also the executive director of UTOPIA and John Christensen from Murray City Council could address this issue. It was also suggested that Comcast and Qwest be invited for their input. Mr. Richins said that he would try and find UTOPIA's web site and then email the members of the Board with a link to information on "UTOPIA"

Other Issues

Senator Allen was curious on who pays for security at Governor's Gala and other social events. Senator Allen was going to find out who pays the bill for these events. Mr. Barton made a motion that we invite Commissioner Flowers to address this issue pending Senator Allen's information. Senator Allen told the board of contacts that he and legislative leadership has received from Stephen Jury at U'n Utah which is a start-up company that is proposing to privatize certain economic development marketing functions currently being provided by DCED, on a performance based contract based upon bringing new jobs to Utah. It was decided to invite Mr. Jury to the January 2004 meeting for a 20 minute presentation on his firm's proposal.

January 2004 Meeting

The next meeting will be held at 10:00 on Tuesday, January 13, 2004.
There will be no meeting in February due to the Legislative session.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday November 20, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Liz Hawkins, Senator Ron Allen, Ted Boyer, Representative Loraine Pace, Representative Brent Goodfellow, Douglas Richins

Excused:

Doug Durbano, Dan Eastman, Norm Tarbox, Bill Barton, Ramona Rudert, Scott Carver, Tanya Henrie,

Visitors:

David Miles and Linda Hull from UDOT

Approval of Minutes:

Because a quorum was not present, minutes for October will be approved in December's meeting.

Past Issues

Mr. Richins distributed a copy of a report from the Legislative Fiscal Analyst given to the Legislative Executive Appropriations Committee on Nov. 18, 2003 regarding the potential privatization of the Utah Department of Corrections Bureau of Clinical Services. The report from the independent consultant hired by the legislature concluded "In answering the primary question of the study – if privatizing the BCS provide the state with additional savings and/or better services, Dr. Moore finds that the staff within the BCS is already providing services at an appropriate level for a cost similar to that offered by private providers. While privatization is a viable alternative for other states – and may be for Utah in the future – it is not likely that any significant savings can be found at this time through outsourcing medical care for inmates." (A copy of the report with the slides from the consultant is included with the minutes.)

Presentation: David Miles from UDOT

David Miles, the operations engineer for UDOT met with the board at the request of John Njord, UDOT's executive director.

He responded to the information given to the board in the October meeting by Shawn Heaton from Bonneville Asphalt. Mr. Miles indicated that UDOT had met with Mr. Heaton several times on this issue and that Mr. Heaton had also met with the Transportation Commission as well. As a background, Mr. Miles said that crack sealing seems to work when the cracks are wide enough to get the material into the cracks. It does not work very well on the 1/16 inch cracks. There was much more crack sealing done by UDOT in the 70's and 80's. The reason there is less crack sealing now is because of a change in UDOT's strategy. UDOT now strives to preserve the road via overlays, improving the entire road, rather than sealing cracks. He said that strategy preserves what we have because the cost is a lot less to take care of a pavement before it starts to fail. The cost is 10 times as much to repair cracks later. On low volume roads a chip seal is used. On high volume roads they use plant mix seals.

When crack sealing was reduced, that which was done by contract was eliminated first. Mr. Miles believes in the 70's 3 to 4 million dollars of crack sealing was done per year. 60% was done on contract and 40% by UDOT. The cost of crack sealing has now been reduced to 1 million dollars per year and will soon be down to a ½ million per year. Having UDOT do the crack sealing makes it so employees have something to do when they are not plowing snow. Due to budget cuts UDOT had to cut 45 employees from their forces, and were given less money to work with. Mr. Miles said that in the future there may be times that a certain station will need some high priority crack sealing done. In that case UDOT may need a service contract for crack sealing. He said that it may be less expensive to contract with the private sector for large projects. Mr. Miles distributed a documents (included with the minutes) titled "In House Crack Sealing Costs – Statewide FY 1999 through FY2003. Based on the information provided by Mr. Miles about UDOT past crack sealing expenditures, Mr. Richins figured that UDOT cost was approximately \$1, 858.00 per ton for the crack sealing. The board recalled that Mr. Heaton stated that crack sealing should cost between \$1,500.00 to \$1,800.00 per ton. The board appeared satisfied that UDOT had adequately evaluated the issue and would pursue potential contracting out for large crack sealing projects, without the board's involvement. The board then asked Mr. Miles about other areas in UDOT where privatization would be useful. Among areas he mentioned were laying of traffic paint.

Mr. Kesler thanked Mr. Miles for his presentation and for the beneficial information.

Other Issues

The amendment to the board statute that the legislature passed in the 2003 general session provided for the appointment of two additional board members: one to represent the League of Cities and Towns and, and one to represent the Association of Counties. Representative Pace volunteered to contact Ken Bullock and Brent Gardner of those respective organizations regarding their representation to the Board.

Representative Pace indicated that the Legislative Government Operations committee would be sending a letter to all boards and commissions requesting a justification for the existence of the board or commission. She said that perhaps in our next board meeting we could draft the board's response to that forthcoming request.

Following a discussion regarding the best day and time for the board meetings, it was decided to hold the meetings on the second Tuesday at 10:00 am.

Mr. Kesler adjourned the meeting.

Topics for December's Meeting

Review of the Privatization Policy Board Workbook

Response to Forthcoming Letter from Legislative Government Operations Committee

The next meeting will be held at 10:00 on Tuesday, December 9, 2003.

Minutes of the Meeting of the Utah Privatization Policy Board
Thursday, October 16, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Ramona Rudert, Ted Boyer, Loraine Pace, Scott Carver, Tanya Henrie, Liz Hawkins, Brent Goodfellow, Douglas Richins

Excused:

Doug Durbano, Ron Allen, Dan Eastman, Norm Tarbox

Visitors:

Shaun Heaton – Bonneville Asphalt

Approval of Minutes:

Minutes for June 17, 2003 were unanimously approved.

Presentation: Shaun Heaton from Bonneville Asphalt

Shawn Heaton from Bonneville Asphalt addressed the board. Mr. Heaton indicated that his goal is to get UDOT and UCI out of the crack sealing business, and to have it privatized. The competition from UDOT and UCI has hurt the private crack sealing industry. They have to go to other states to get work. Heaton said that UDOT used to bid crack sealing out in the 70's and 80's. He said that crack sealing is generally bid by the ton. It is \$1,500 to \$1,800 dollars per ton, including labor. Because of competition, in the 80's crack sealing went down to \$900 to \$1,100 dollars per ton. Ms. Hawkins stated that allowing the private industry do the crack sealing would put Government employees out of their jobs. Mr. Heaton believes that his company can save the taxpayers money by allowing private industry do the work. Mr. Heaton cited that at one time UDOT wanted to do all of their chip sealing. However, the chip sealing industry negotiated this issue with UDOT because they spent millions of dollars in equipment and so UDOT did 50% and the private industry did 50%. Mr. Heaton would like to see this happen in the crack sealing industry. He also stated that he can do the job for half the price and do it much better. Mr. Heaton was asked to get facts figures of costs for crack sealing. He agreed to this request if he could first get figures of costs from UDOT since 1999.

Discussion on Possible Dissolution of the Board

Representative Pace indicated that she is serving on a legislative committee to evaluate if there are current boards that could be discontinued. There was a healthy discussion between Board members on whether to keep or abolish the Privatization Policy Board.

Representative Pace indicated that she has seen nothing happen since she has been on the Board. She also stated that the Board can listen to Mr. Heaton's issue but he will have to go before other people who can make a difference.

Mr. Carver also stated that he has seen no progress since he has been on the Board. He suggested that the Board be a legislative committee because they have what it takes to make changes.

Mr. Kesler stated that all the Board can do is listen to the problems of different vendors and write a recommendation to the legislature and the Governor. He also feels if we had a little teeth in the Board it could do a lot of good.

Mr. Richins feels that the different departments, on their own consider privatization on a day to day basis. Mr. Richins asked, "Is what we are doing duplicative?" He also feels that what the Board is doing can be done within other structures.

Ms. Hawkins indicated that the Highway Patrol has a Safety Inspection Advisory Council, which is much like the Board. This council comes from all walks of life and they review all the changes that need to be made and then make decisions from there.

Representative Goodfellow feels like the Board provides a sounding board for vendors. Then we can invite an agency to come in and they rethink their process and make the necessary changes.

Mr. Barton agreed with Representative Goodfellow. He cannot think of anything that has been done except create an awareness.

Representative Pace indicated that there is more impact in a vendor going before an agency than a written report.

Mr. Kesler feels that documentation really helps the legislature make a decision.

Representative Pace stated that the legislature would require documentation from the vendor and the agency.

Ms. Henrie being in private industry herself feels that going before the legislature would be intimidating for her. She feels having a board to present her case to and asking the tough questions would be helpful to her to prepare for the legislature.

Mr. Richins stated that the advantage of having an issue go before the legislative committee is that they have both sides of the equation. They are not just looking at the privatization aspect but they are looking at the budget implications aspect as well and balancing those issues. Another thing that they have that we don't is staff. They can have their Fiscal Analyst pull those numbers and bring them to the committee so they have some valid information to make a decision.

Mr. Kesler stated that we will never be given the power by the legislature to do the job the way we think it should be done.

Ms. Rudert thinks that the Boards and Committee's serve a very important political function. She feels the perception is that the Boards and Committee's have power and that is an important venue for open discussion. A lot of these issues are administrative issues that don't require changes in legislation they simply require changes in how things are administered sometimes would be things that we might look at. Ms. Rudert also feels a little disappointed and thinks it is not worth spending the money if it is not going to make a difference. She does not feel that the Executive Branch is using these Boards and Commissions the way that they were intended for. Maybe we should just be used as a task force and just meet when it is necessary.

Mr. Barton suggested that we send out news releases so the public knows that there is a committee out there that will listen to a case of unfair government competition. Maybe if we gave the legislature a report after every meeting it would make these reports more meaningful.

Mr. Kesler suggested that we call Lane Beattie have a representative sit in on every other meeting. Ms. Rudert said that she would be happy to call Mr. Beattie.

Mr. Boyer stated that we are an advisory to the Executive Branch so the big questions that Loraine might have are, Should we be giving advise? What kind of advise should we be giving? How should we get that advise over? Is it worth the effort to give that advise?

Representative Pace thanked the board for their candid input.

Mr. Kesler adjourned the meeting.

Topics for November's Meeting

Our next meeting will be held at 10:00 on Thursday, November 20, 2003. A representative from UDOT will be asked to respond to Mr. Heaton's crack sealing issue.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, June 17, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Ramona Rudert, Ted Boyer, Norm Tarbox, Scott Carver, Tanya Henrie, Liz Hawkins, Douglas Richins

Excused:

Brent Goodfellow, Doug Durbano, Ron Allen, Dan Eastman, Lorraine Pace

Visitors:

Kevin Walthers – Office of the Legislative Fiscal Analyst

Approval of Minutes:

There was one correction in the May 20th minutes. Both April 15th and May 20th minutes were approved.

Presentation: Kevin Walthers from the Fiscal Analyst's Office

Dr. Garden's job is to administer and provide medical care for all inmates. Our constitutional responsibility is to provide basic medical care. The prison has a doctor and a nurse on contract that travel to the different county jails to provide medical services to inmates. In county jails the state only provides medical services to the state adult felons. The county provides its own inmate care.

The Bureau of Clinical Services provides:

- Medical Services
- Dental Services
- Mental Health Services

The Fiscal Analyst's Office is in the process of hiring a consultant to evaluate quality of care and medical procedures in our prisons. Mr. Walthers went over the Report that was handed out from the Fiscal Analyst's Office on Prison Finances. (See Attached Report)

Grants are used for start up costs for different treatment programs. Mainly drug treatment programs.

There are three ways to cut back on costs in our prisons:

Medical Costs

The medical contract is with the University of Utah. The prison gets an extremely favorable rate with them. The rate is 68.6% of the customary rate. If you compare the prison rates to Medicare rates we would be paying just slightly more.

Pharmaceutical Costs

Drugs are purchased through a Partnership Cooperative and are bought in bulk so that is a considerable savings for the prison.

Personnel Costs

Another way to save money is to cut personnel costs. The prison personnel work at a lower pay scale so they can receive the benefits package.

One of the problems with privatization in the prison is private companies come in with a lowball figure and after time raise their costs. Then we are stuck in the contract until it has expired.

Privatization works best in the prison system if we just privatize certain services. The prison has 6 million dollars in contracts that are currently being used. Program treatment is an excellent area to privatize because we can use different company's to come in and provide services for drug treatment and sex offender programs.

Privatization of halfway houses probably would not work because of volume. We don't have enough people in our halfway houses to generate a profit.

Topics for Future Review

It was decided to review the Privatization Workbook at the next meeting.

Mr. Kesler adjourned the meeting.

Our next meeting will be held at 10:00 on Thursday, July 17, 2003.

Response to Intent Language
Feasibility of Privatizing the Bureau of Clinical Services
Within the Utah Department of Corrections

May 20, 2003

**Report to the Executive Appropriations Committee
Of the Utah State Legislature**

**Prepared by
The Office of the Legislative Fiscal Analyst**

**Kevin Walthers, Lead Analyst
Gary Ricks
Jonathan Ball
Tyson Vandenakker**

Introduction

As part of the 2003 Appropriations Act, the Legislature directed the Office of the Legislative Fiscal Analyst to examine costs within the Bureau of Clinical Services program within the Utah Department of Corrections:

It is the intent of the Legislature that the Office of the Legislative Fiscal Analyst supervise a study of the Medical Services Department within the Utah Department of Corrections. The study shall provide an analysis of costs (short and long term), liability issues, quality of service, and accreditation standards compared to industry standards for private providers. The Office of the Legislative Fiscal Analyst will present its findings to the Executive Appropriations Committee on or before July 1, 2003, with copies distributed to the members of the Executive Offices and Criminal Justice Appropriations Subcommittee.¹

The language continued with direction for the Department of Corrections in regard to use of any cost containment recommended by the study:

It is the intent of the Legislature that any savings identified in the study of the Medical Services Department within the Utah Department of Corrections be used for institutional operations beginning in FY 2004...²

The language also provided latitude for the Legislative Fiscal Analyst to request funds for costs incurred through outside consulting, travel or research services, albeit such funding would have to be balanced against future budget conditions.

...The Legislative Fiscal Analyst may request reimbursement in the 2004 General Session for any cost incurred in relation to this study.³

Before incurring additional expenses, the Analyst presents this preliminary report to offer information on the cost of providing medical services within the Utah Department of Corrections. The goal of this document is to provide the Executive Appropriations Subcommittee with information that may guide the Committee to a decision regarding the nature of any future reporting. The report asks questions in three areas:

1. What are the costs of providing inmate care?
2. Does the BCS program create increased liability issues?
3. How does state accreditation compare with private sector standards?

¹ Item 24, House Bill 1, 2003 General Session

² Ibid.

³ Ibid.

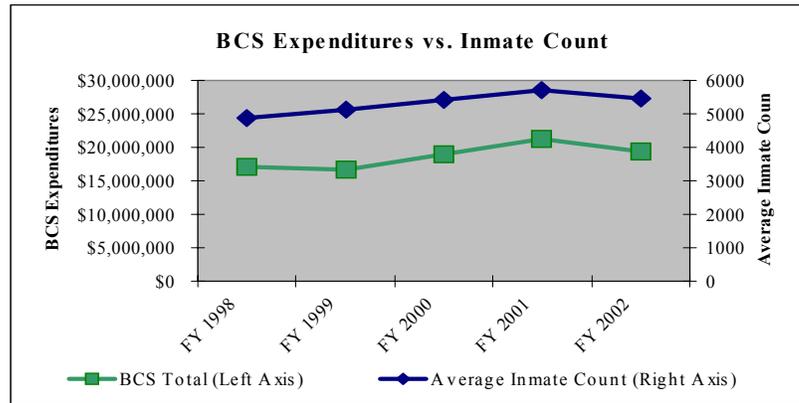
What are the costs of providing inmate care?

The Bureau of Clinical Services provides programming in addition to direct inmate care. Inmate programming functions such as substance abuse treatment and sex offender counseling are housed within the BCS. The two cost centers for inmate care include the Bureau of Clinical Services at the Draper Prison and the Medical Services Program within the Central Utah Correctional Facility (CUCF). Over the past five years the program grew by an average of 2.7 percent

How does spending within BCS compare to inmate counts and overall Department expenditures?

Total expenditures for inmate health services are driven primarily by the number of inmates in the system. From 1998 to 2002 expenditures within the Bureau of Clinical Services (including CUCF) mirrored that of overall expenditures for incarceration.

Figure 1



Program Categories: How is spending spread across programs, functions and types of care?

One of the difficulties in determining a per diem cost comparable to other states involves comparing similar levels of care. To calculate true per diem rates for medical services requires adjustments for non-medical programs that are funded through the Bureau of Clinical Services. Table 1 shows expenditures by type that go into the per diem calculation.

Table 1

	<i>Expenditures by Type</i>				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Administration	\$950,732	\$613,410	\$565,469	\$293,940	\$575,403
Direct Medical Care	7,222,220	7,942,176	9,082,034	10,137,641	9,499,972
Mental Health (Includes Inpatient)	4,764,665	3,348,116	3,618,511	4,560,136	3,562,255
Dental	863,080	815,257	852,341	891,836	990,909
IPP (Contracting)	367,190	389,792	549,190	538,091	644,087
Transportation	140,120	153,317	160,932	146,061	0
Grants	735,717	733,681	798,420	1,338,889	1,383,874
Sex Offenders	549,753	521,918	595,699	695,215	743,560
Subsidiary Operations	0	86,646	335,094	533,467	104,861
CUCF	1,493,200	2,003,438	2,370,310	2,215,734	1,889,297
	\$17,086,677	\$16,607,751	\$18,927,999	\$21,351,009	\$19,394,217

Source: Utah Division of Finance Data Warehouse

Expenditures per inmate for medical/dental are up by approximately twenty percent since 1998 but are down from FY 2001 levels.

Table 2

	<i>Medical/Dental Expenditures</i>				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Direct Medical Care	\$7,222,220	\$7,942,176	\$9,082,034	\$10,137,641	\$9,499,972
Dental	863,080	815,257	852,341	891,836	990,909
CUCF	1,493,200	2,003,438	2,370,310	2,215,734	1,889,297
Total Medical/Dental	\$9,578,500	\$10,760,871	\$12,304,684	\$13,245,211	\$12,380,178
<i>Medical/Dental Per Diem</i>	<i>\$5.40</i>	<i>\$5.76</i>	<i>\$6.23</i>	<i>\$6.37</i>	<i>\$6.23</i>

Source: Utah Division of Finance Data Warehouse

Costs driven by medical, pharmaceutical and personnel costs

Any attempt to achieve substantial savings in Clinical Services must focus on medical contracts, personal services and prescription management. Over the course of five years, personal services costs averaged fifty-eight percent of total expenditures, medical contracts took up another seventeen percent, pharmaceuticals comprised another nine percent – meaning that the three largest single items (overhead is an aggregated category) account for eighty-four percent of the BCS budget. Table 3 shows that FY 2002 mirrored the five year average.⁴

Table 3

<i>BCS: FY 2002 Expenditures Less Grants</i>		
Program	FY 2002	% of Total
Personal Services (Medical)	\$9,625,300	55%
Medical Contracts	\$3,133,600	18%
Overhead/Other Expenses	\$2,202,317	13%
Drugs	\$1,863,500	11%
Labs	\$328,000	2%
Med. / Surg. & Lab Supplies	\$391,300	2%
Total	\$17,544,017	

Source: Utah Division of Finance Data Warehouse

Are medical contract costs appropriate?

The Department contracts with the University of Utah Hospitals and the University of Utah Doctors and Clinics for services that can not be provided within the prison. UDC pays the University of Utah \$1,920,800 per year for medical services that normally would be billed at a rate of \$2.8 million (a negotiated rate of 68.6 percent of customary charges). If the Department does not use the full amount of services, a refund is provided at the 68.6 percent rate – full cost recovery for the Department of Corrections. If additional services beyond the \$2.8 million amount are needed, the University Hospital applies a fee equal to 68.6 percent of the customary rate.⁵

⁴ Figures compiled by combining Data Warehouse statistics and UDC internal management documents. Data reaches only to 1999 due to system upgrades completed for UDC that make comparison to 1998 difficult.

⁵ Utah Department of Corrections. UDC File #90A-621-IO

Staff salaries include added cost of twenty year retirement

The BCS program carries more professional staff than other parts of the Department of Corrections. Professional providers include nurses, doctors, social workers and mental health experts. Salaries are normally distributed and average \$44,262. Retirement benefits average \$8,163 - an amount higher than would be found in a standard state agency due to the disproportionate number of POST-certified (law enforcement) employees eligible for twenty year retirement.⁶

Prescription Management

Pharmaceutical costs averaged nine percent of the BCS budget over the five year study period. Total expenditures for drugs dropped in 2002 but are still up significantly over 1999 levels.

Table 4

<i>BCS: Pharmaceutical Expenditures</i>					
	FY 1999	FY 2000	FY 2001	FY 2002	<i>5 Year Increase</i>
Drugs	\$1,292,566	\$2,035,296	\$2,006,000	\$1,863,500	44%
Inmate Count	5,116	5,410	5,694	5,448	6%
Cost per inmate	\$252.65	\$376.21	\$352.30	\$342.05	35%

Source: OLFA and Utah Division of Finance Data Warehouse

Does the BCS program create increased liability issues?

The affirmative responsibility of correctional facilities to provide health care dates to the 1976 Supreme Court decision in *Estelle v. Gamble*. The case focused on “acts or omissions sufficiently harmful to evidence deliberate indifference to serious medical needs.”⁷ Since the *Estelle* decision, the Courts have not ruled on quality of care, choosing instead to focus on denial of care as being constitutionally impermissible.⁸

According to the Department claims are down seventy percent since 1997 and are now averaging 3.2 claims per year. Over the last three years all expenditures went to costs associated with defense, no money was spent on settlements arising from claims.

As a source of exposure, the BCS is only a small part of total UDC liability insurance. Over the past five years the Department of Corrections liability premiums remained flat. For management purposes UDC assigns a portion of the premium to the clinical operation, but that is an internal matter not driven by actual claim history.

How does state accreditation compare with private sector standards?

Many organizations provide corrections facilities health care accreditation, and do so as part of a larger mission to grant professional accreditation to a wide variety of activities apart from corrections health care. The National Commission on Correctional Health Care (NCCCHC) focuses entirely on correctional facilities health care accreditation and was the first organization created with this unique mission.

⁶ The move to POST Certification came at the behest of the Auditor General. See: Utah Legislative Auditor General (1998). *A Digest of A Performance Audit of the Utah Department of Corrections*. http://www.le.state.ut.us/audit/98_08rpt.pdf

⁷ *Estelle v. Gamble* (1976). 1976.SCT.3988, at 30.

⁸ United States Department of Justice (2001). *Correctional Health Care: Guidelines for the Management of an Adequate Delivery System*. Quoted in *State of New Hampshire Department of Corrections Inmate Health Care Performance Audit Report*, Office of the New Hampshire Legislative Budget Assistant (January 2003).

NCCHC accredits more than 500 correctional facilities nationwide, including the Utah Department of Corrections (DOC) Medical Services Program. UDC first received accreditation from NCCHC in 1996⁹ and earned renewal in 2002 at both the Draper Facility and the Central Utah Corrections Facility (CUCF) in Gunnison.

Summary

This brief review by the Office of the Legislative Fiscal Analyst focused on the areas within the BCS that have potential for generating cost savings. It appears that current operations have maintained a level of efficiency and effectiveness over the course of the last five years. If this proves to be the case when compared to other states or private operations, the Analyst does not believe the savings may be as significant as originally thought. However, in order to make a more detailed comparison, the Analyst recommends that an independent consultant be selected through an RFP process with costs to be reimbursed to the LFA during the next General Session of the Legislature. Such an analysis may lead to specific recommendations for the Department to incorporate in its daily operations or to the development of an RFP to allow private vendors to offer services to the state.

⁹ Given the costs associated with receiving accreditation from multiple organizations the Department of Corrections Medical Services Program has not sought for nor received a certification or accreditation beyond the NCCHC certification.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, May 20, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Loraine Pace, Ramona Rudert, Ted Boyer, Norm Tarbox, Scott Carver

Excused:

Brent Goodfellow, Tanya Henrie, Bill Barton, Doug Durbano, Ron Allen, Liz Hawkins, Dan Eastman

Visitors:

Lynn Baker (PEHP)
Nate Roman (UPEA)

Approval of Minutes:

Because there was not a Quorum, it was decided to approve the minutes at the next meeting.

Presentation: Lynn Baker from PEHP

PEHP pays all insurance claims for the State of Utah. HMO's used to pay claims but at a higher risk. The average carrier has a 12% overhead. PEHP has a 4% overhead. Exclusive care has better benefits and has a 2% overhead.

Legislation approved other public employee's to join PEHP. Some of these are:

- Cities and Counties, which are self-funded.
- Jordan School District, which has no premium.
- Colleges, which have no premium.
- CHIP is administered by PEHP

Each entity uses funds differently.

Health care is out of control. Health care pays a broker to find services so an override of \$506 million per year is paid out by the State. If healthcare services would just come through one pipeline. The bill would go to one place and each entity would be charged for their portion of the bill. There are other options of buying healthcare and having it cost less.

There is also the option of pooling together and working with the drug manufactures so our drug costs would go down.

Privatization Assessment Workbook

It was decided that we would postpone going over the workbook until there was a full quorum.

Topics for Future Review

- Privatization of clinical services in the prison.

It was decided to invite Kevin Walthers from the Office of the Legislative Fiscal Analyst to address the board on a study recently done for the Legislature's Executive Appropriations Committee on the feasibility of privatizing the Bureau of Clinical Services within the Department of Corrections for our next meeting. Then if the board wanted to investigate this issue further in a subsequent meeting the director of the clinical services bureau and potential contractors could be invited.

Our next meeting will be held at 10:00 on June 17, 2003.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, April 15, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair, Senator Ron Allen, Representative Brent Goodfellow, Representative Loraine Pace, Jay Dansie, Bill Barton, Ramona Rudert, Scott Carver, Tanya Henrie, Douglas Richins, Secretary

Excused: Liz Hawkins, Norm Tarbox, Ted Boyer, Senator Dan Eastman

Absent: Douglas Durbano

Visitors:

Ron Stromberg, Margy Campbell, Tony Nelson, Craig Peterson, Tyler Dallas, Ed Dieringer, Ron Kusina

Approval of Minutes:

Ramona Rudert motioned for approval of the March 18, 2003 Minutes. Jay Dansie seconded the motion. The minutes were unanimously approved.

Board Composition Changes:

Mr. Kesler announced that membership changes to the board had been made by the Governor. He thanked the members who were concluding their service on the board for their service to the citizens of this state. Those leaving the board are Jay Dansie, Merwin Stewart and Senator Bill Hickman. Newly appointed members are Senator Dan Eastman, Senator Ron Allen, Ted Boyer and Tanya Henrie. Mr. Kesler welcomed Senator Allen and Ms. Henrie who were attending their first meeting. A question was raised regarding the expiration date of Bill Barton's term. Mr. Richins promised to check into the issue. (*Richins has confirmed that Mr. Barton's term ends July 2004.*)

Privatization of Services for Senior Citizens:

The board heard information about the provision of services to senior citizens. First, Ron Stromberg representing the Utah Division of Aging Services talked about demographic changes and the increasing number of senior citizens. Using newspaper articles, he demonstrated the trends affecting senior citizens and underscored what an emerging, important and under recognized market services to seniors represent. He identified specifically a number of new and emerging industries and services needed to respond to this group. Among the needs are: elder care and independent living, anti-aging spas, clinics; new medicines, new foods, body fabrication clinics (replacing worn-out parts); technology areas, hearing aides, pacemakers, smart acoustic systems, high tech exercise equipment, smart clothes that know when to warm, or cool the body; financial service, pension planning, long-term care insurance; employment re-training programs, life long learning programs, dating services, travel services; housing needs, designing homes for seniors, security systems, roommate finders; death and dying services, hospice care. Mr. Stromberg indicated that in Utah the average age expectancy for women is 86 years and for men 80 years.

Representative Pace reminded the board that the reason that the board wanted to have this discussion is a recognition that government will not be able, or should not attempt to fulfill these areas for seniors. She emphasized that we need the business community to recognize and fill this area of need. Senator Allen suggested that younger people need to be engaged in developing business. It is important for them to recognize this important potential opportunity for both business and service.

Margy Campbell spoke to the board. Fifteen years ago she started her company, Age Connections, the first geriatric care business in Utah. She recognized that this was an important niche that she could provide elder care service as a small business. Since then she has expanded and also provides guardian and conservatorship services, assisting people without children, or those whose children are not capable of doing this service themselves. She opined that privatization is so important in assisting in this critical area. She described the type of services that her firm provides and how clients contact them. She said that there currently are three legitimate companies doing these services along the Wasatch Front. She suggested that somehow it is important to change the elderly mindset away from entitlement and position it toward thinking of private pay. She lamented that she sees a lot of transfer of wealth going on for families to avoid paying for the senior's elder care. She also suggested that a minimal license should be required for those engaged in elder managed care.

Tony Nelson from Spectrum Home Services told the board about the services that his company provides to seniors. His company which now has 30 employees specializes in providing seniors in home management issues, home maintenance and repair, lawn care, snow removal, and homemaking. He started his company three years ago and sees potential for expansion. He cited the cost of liability insurance and workers compensation insurance as roadblocks to expansion.

Ed Dieringer spoke representing the Health and Homecare committee of the Salt Lake Area Chamber of Commerce. He described the types of services of his companies – Golden Years Consultants and Caregiver Support Network. Most of his services are private pay. His firms assist the caregiver. He also works with employers to include this type of service to caregivers in the employer's benefit packages. The majority of his clients are women between the ages of 45-55 who are caregivers for their parents. He indicated that the Salt Lake Chamber recently established the Health and Homecare committee to assist individuals and businesses understand this important business area.

Ron Kucina from the Ogden Area Chamber of Commerce suggested that most business people are lacking information about this emerging market. He suggested that the Department of Human Services, Division of Aging Services could facilitate helping businesses understand this market. He suggested that this emerging market could also be viewed from an economic development perspective.

Next Meeting

The next meeting will be held on May 20th, at 10:00 a.m.

It was decided that the next meeting's agenda would include a discussion of the state of Privatization of health insurance and health services for state and local government employees, and a review of the Privatization Assessment Workbook. Douglas Richins will invite Linn Baker from PEHP to participate in the discussion on health insurance and health services for employees.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, March 18, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair, Jay Dansie, Bill Barton, Ramona Rudert, Douglas Durbano, Norm Tarbox, Representative Brent Goodfellow, Representative Loraine Pace, Commissioner Merwin Stewart, Douglas Richins, Secretary

Excused: Scott Carver

Absent: Senator Bill Hickman, Liz Hawkins

Visitors:

David Harmer, Jeffrey Gochnour

Approval of Minutes:

Ramona Rudert motioned for approval of the January 2003 Minutes, with one typographical correction. Merwin Stewart seconded the motion. The minutes were unanimously approved.

Factors That Attract or Repel Businesses

The board heard an excellent presentation from David Harmer, Executive Director, Utah Department of Community and Economic Development; Jeffrey Gochnour, Director, Utah Division of Business Development. They talked about the importance of a friendly business climate, and the factors that attract or repel businesses to the state. They said that overall some negative cultural perceptions people living outside the state have had are breaking down. A challenge that they face is that the state doesn't have many monetary incentives to offer as we compete with other states to attract businesses. Mr. Harmer cited an advantage the state has is a favorable cost of doing business here. He said that Utah does a good job of developing ideas and innovations, but need to improve at taking those ideas and then developing those ideas into viable businesses. Utah has historically had difficulty in attracting venture capital. Mr. Harmer reported on legislation that passed during the last legislative session: HB240 Venture Capital Enhancement Act, which may help the state's ability to attract venture capital. They discussed the importance of coordination of economic development efforts among DCED, the Economic Development Corporation of Utah (EDCU), and the various counties and cities. They explained the Smart Site concept, which is to create technology jobs in rural Utah and the medical informatics initiative. Also highlighted was the US Small Business Administration's 8A program and the efforts that they are taking with the Indian tribes in Utah to assist the tribes to qualify. Mr. Harmer said that economic development would like to work more closely with Public and Higher Education in assisting them in understanding the benefits of providing incentives to expand business and therefore opportunities for future employment of the students. One area that Mr. Harmer would like to see clarified is an ambiguity in the state constitution that seemingly prohibits universities from owning equity in a company that is created because of their

research development. Representative Pace wondered if this was on the agenda for the Constitutional Revision Committee. When asked the role that privatization can play in businesses decisions to located or not to located in a state, Mr. Harmer responded that privatization is generally viewed by business a very positive. He said that this is one of the positive signals that the state can send to business. Mr. Harmer and Mr. Gochnour indicated that we do not have a significant number of corporate headquarters located here with CEOs and CFOs, etc. Sometimes when large corporations decide to relocate from Utah, or no not locate a facility here it is not generally because of anything negative toward Utah, but simply part of a larger corporate picture. The gentlemen talked about the role of trade missions, and highlighted recent trade missions to Mexico City, Athens and Torino. Mr. Harmer also reported on positive economic development issues from the last legislative session including the venture capital bill (previously mentioned) and a bill aimed at providing incentives for aerospace firms. He indicated that in the coming year DCED would like to work on an avenue to enhance tourism promotion in the next legislative general session. Representative Goodfellow encouraged Mr. Harmer to look at the legislation providing for the UDOT freeway signs which allow for advertising food, fuel and lodging. He indicated that he was the sponsor of the original legislation, and wondered if Mr. Harmer had ideas about how it might be retooled to be of benefit (and funding) for tourism.

Privatization Assessment Workbook

Copies of the Privatization Assessment Workbook were passed out to board members. This was developed by the board in 2001 after reviewing a workbook compiled by the Colorado State Auditor's Office. Mr. Kesler asked that an acknowledgment be included in the workbook recognizing the Colorado State Auditor's Office who shared their Privatization Assessment Workbook with us, and allowed us to liberally copy and use their information in Utah's workbook. Mr. Richins will see that this is done, and will have a hyperlink on the board's website to the Workbook.

HB302 - A Change in the Privatization Policy Board Statute

HB302 sponsored by Rep. Bigelow passed during the last session. Copies of the bill were distributed to board members. The legislation provides for two additional members to be appointed to the board, representing the Utah League of Cities and Towns and the Utah Association of Counties. The bill also expanded the definition of agency to include administrative units of counties and municipalities, and provided that the board may exercise its authority over those bodies when requested by the local government agency.

Next Meeting

The next meeting will be held on April 15th, at 10:00 a.m.

It was decided that the next meeting's agenda would include a continued discussion of the privatization of senior citizen's services, and a review of the Privatization Assessment Workbook. Ramona Rudert volunteered to contact representatives of businesses that serve senior citizens and a couple of representatives of Chambers of Commerce. Douglas Richins will invite Helen Goddard from the State Department of Human Services.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, January 14, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Bill Barton
Jay Dansie
Ramona Rudert
Scott Carver
Liz Hawkins
Representative Loraine Pace
Douglas Richins, Secretary

Excused:

Norm Tarbox

Absent:

Commissioner Merwin Stewart
Representative Brent Goodfellow
Senator Bill Hickman

Approval of Minutes:

Scott Carver motioned for approval of December's minutes. Jim Kesler seconded the motion. They were unanimously approved.

In today's meeting the board discussed the topics for future meetings that were listed in December's minutes. (The topics from the December meeting are underlined and in bold.)

Ms. Rudert suggested that the proposed Salt Lake County government operated ambulance services, and the county's decision to withdraw this service from the private sector is an issue that the board would be interested in learning about.

Adoption Services

It was decided that this was a very complicated subject, and the board decided not to calendar this issue at the present time.

Factors That Attract or Repel Businesses

It was decided that to invite Dave Harmer from DCED to speak at our March meeting concerning this issue. We would also ask him to address cases of unfair competition that he may be aware of.

Resolution Supporting a Change in the Privatization Policy Board Statute

Mr. Barton made a motion that the Board support legislation that would allow the Privatization Policy Board to review privatization issues at all levels of Government. Currently the board is restricted to reviewing privatization issues in state government. After discussion the board approved the following resolution:

The Board supports legislative effort to amend the statute to allow the Board to investigate Privatization Issues and instances of unfair competition in all levels of government.

The Board further supports eliminating the current statutory requirement for agencies to notify the Board prior to privatizing services or functions.

Mr. Kesler motioned for approval of the resolution. Ms. Rudert seconded the motion. It was unanimously approved.

Health Care (PEHP)

Ms. Hawkins suggested that in light of the rising costs of health care insurance, the board examine whether private insurance providers should be allowed to compete with the Public Employee's Health Plan in providing choice and competition for health insurance for employees. It was suggested that we have Lynn Baker from the State Retirement Board – (Public Employees Health Plan) come to one of our meetings, and provide their perspective on this issue.

Water Management

Mr. Kesler stated that he did not know if any company today could privatize water management. He stated that all water has been appropriated.

Senior Citizens Issues

Mr. Barton stated that most Senior Citizen services are done on a County level but are actually paid for by the State; ie., Meals on Wheels. He suggested that some of these services could be privatized or done by volunteers. Representative Pace recommended that we have someone come from the Chamber of Commerce address us on some of these issues. Ms. Rudert suggested that we have Margie Campbell come from Age Connection to address us on resources for senior citizens. It was decided that we should put this on the agenda for April.

Education

It was decided to talk about education at a later date.

Pharmaceutical Companies

Several members discussed options for citizens to obtain pharmaceuticals less expensively. Representative Pace stated that the only thing that could be discussed on this issue is how to give seniors the information on where to go to get more inexpensive medicines, but questioned whether that was an appropriate role for this board.

Mr. Kesler adjourned the meeting.

There will not be a meeting in February as the Legislature will be in session.

It was decided to move the meetings to the 3rd Tuesday at 10 to accommodate a schedule conflict in Mr. Tarbox's schedule. The next meeting will be held on March 18th, at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, December 10, at 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jay Dansie
Bill Barton
Ramona Rudert
Liz Hawkins
Representative Loraine Pace
Representative Brent Goodfellow
Douglas Richins, Secretary

Excused:

Jim Kesler
Norm Tarbox
Commissioner Merwin Stewart

Absent:

Scott Carver
Senator Bill Hickman
Douglas Durbano

Approval of Minutes:

Liz Hawkins motioned for approval of the minutes for November. Ramona Rudert seconded the motion. They were approved unanimously.

Today's meeting included a discussion on topics for the board to address in future meetings. The following ideas were advanced.

- Adoption Services
- Factors that attract or repel businesses
 - Economic Development
- Health Care
 - PEHP
 - CHIP
 - Medicaid
- Water Management
- Senior Citizens Issues
 - Nursing Homes
 - Ability to pay
- Education
- Pharmaceutical Companies

For the January 2003 meeting it was decided to have a board discussion bringing conclusion on issues from past meetings including Driver's Education

The next meeting will be held on January 14, at 10:00 a.m.

There will not be a meeting in February as the Legislature will be in session.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, November 12, 2002 at 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler – Board Chair
Jay Dansie
Bill Barton
Ramona Rudert
Representative – Loraine Pace
Representative – Brent Goodfellow
Merwin Stewart
Scott Carver
Douglas Richins – Secretary

Excused:

Norm Tarbox
Liz Hawkins

Absent:

Senator Bill Hickman

Visitors:

Betsy Ross – State Auditors Office
Helen Goddard – Department of Human Services
Sheldon B. Elman – Department of Human Services

Jim Kesler, Board Chair, conducted the meeting.

Approval of the Minutes for September 10, 2002

Bill Barton motioned for approval of the minutes. Ramona Rudert seconded the motion. They were approved unanimously.

Presentation by Betsy Ross – State Auditors Office

Betsy Ross spoke concerning the State Auditor's history of involvement with Quasi-government entities, and the 1998 Working Group he headed. Ms. Ross presented the results of the Working Group, which suggested a model for determining when an independent entity should be privatized. The Working Group's results were presented to the Legislature, and its legacy exists in the form of the current legislative Quasi-government entities committee.

**Presentation by Helen Goddard and Sheldon Elman
Department of Human Services**

Utah has the youngest population, but we are also an aging state with the 65 + age group growing at 27 % a year. Statewide this age group comprises 8.5% of the population and some of our urban cities and many rural counties already exceed twice the state's average. By 2015 the 65 + will comprise 24% of the total state's population.

Seniors provide a qualified and experienced labor force to support Utah's economic growth and quality education. Business can take advantage of the labor pool.

The Division and Utah State University conducted a survey of 6000 individuals age 55 and over. The results indicate that most seniors will remain in their homes and in their current communities. Unfortunately a large majority has not planned for retirement and those that have felt it will not be adequate. Many feel that as they age they will need some form of transportation to get around when they cannot drive any more. Also many feel they may need some type of in-home services when they get ill.

Businesses, the community and government should begin discussion now to prepare for the baby boom population because it will offer opportunities as well as challenges.

Representative Pace brought up the fact that the legislature does not know how they are going to fund the upcoming problem of senior care. There are a lot of seniors out there who can pay for services but don't. Privatization would be a big help in taking a load of the budget.

Small Business Opportunities:

- Travel and Leisure Services
- Managing Finances
- Services and products to act and remain youthful.
- Physical Fitness
- Assisted Living Facilities
- Home Modifications – Alternative living situations

Individuals who are above a certain income level do not have a lot of help from the private or public sector.

The Privatization Policy Board can help by:

- Contract with private business with special grant or money to deliver services
- Provide education
- Case Management
- Make sure there is no age discrimination

Attached is the slide presentation.

Mr. Kesler thanked everyone for coming to our meeting and their excellent presentations.

The next meeting will be held on December 10th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, October 8, 2002 at 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler
Bill Barton
Douglas Durbano
Ramona Rudert
Liz Hawkins
Jay B. Dansie
Representative Loraine Pace
Scott Carver
Douglas Richins - Secretary

Excused:

Norm Tarbox
Commissioner Merwin Stewart

Absent:

Senator Bill Hickman
Representative Brent Goodfellow

Visitors:

Stephen Ogilvie - State Parks and Recreation
Steve Roberts - State Parks and Recreation
Mike Jerman – Utah Taxpayers Association

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for September 10, 2002

After a spelling error correction and the rewording of a sentence, Jim Kesler motioned for approval of minutes. They were approved unanimously.

Bill Barton expressed his concerns about the burden on the State of Utah to continue to fund golf courses. He suggested that the privatization or that the contracting out of state owned golf courses be considered.

Mr. Roberts read a letter addressed to Norman Bangerter from Department of Natural Resources stressing the importance of State funding for Golf Courses.

Mr. Ogilvie passed out a financial summary and a chart comparing the expenditures and revenue of 3 different golf courses. He also stated that the legislature wants the golf courses to cover their own costs. There is also \$400,000 in bonds that need to be paid out annually for building the golf courses.

Mr. Barton suggested maybe having a contractor buy out the bonds.

Mr. Roberts stated that two of the golf courses were private and when State Parks purchased them their revenue went up 35%. He also stated that these things have been tried. We are just going back and rehashing what has been done before.

Mr. Kesler asked the question, “On a bid would the lessee assume the debt”?

Mr. Robert’s answer was that it would have to be negotiated. It would be hard on the State to offer the golf course to a private entity and the state pick up the debt.

Mr. Kesler also inquired about the interest rate on the bonds.

Mr. Robert’s answer was that they work through DFCM and have a great rate.

Mr. Durbano wanted to know how golf courses fit into the essential function of government.

His answer was the demand for public golf courses. Very few people golf at private courses. It is a win win for all of us.

Mr. Durbano affirmed the public golf courses offers a recreation to the State that would otherwise not exist. The private sector could not fill the market the Parks and Recreation fills.

Mr. Kesler wanted to know why golf courses are built where the population is so low.

His answer was that they were asked by the legislature to take over Palisades and instructed to build Green River.

Money issues and cost to the public were discussed.

Mr. Ogilvie brought up the fact that in small towns economic growth depends on golf courses.

It was also brought up that private golf courses cost more than public golf courses and have more employees.

Ms. Hawkins asked how the money given to Parks and Recreation was distributed. Does the legislature tell Parks and Recreation how to spend it or is it up to them?

The answer was the legislature appropriates the money through a line item. Parks and Recreation is allowed to spend their money how they wish within the line item. Parks and Recreation is issued two line items. One is for the operating budget of the whole division; the other is for the capitol development budget.

Ms. Hawkins also brought up the point that if we take the golf courses away from the citizens of Utah, think of the recourse the people who are elected will have.

Representative Pace brought up the fact that with Parks and Recreation Bear Lake is doing better financially because of snowmobile trails that were put in there.

Mr. Richins brought up the fact that Mr. Barton was not arguing against the state owning golf courses, but whether it is more cost efficient for the state to run golf courses or to contract out. Mr. Richins also wondered if there were any entities that have contracted out.

The answer was that none of the Utah golf courses have been contracted out.

Mr. Kesler asked if any entity or Board has come to Parks and Recreation and told you that they can generate a profit for Wasatch, which is most profitable.

The answer was yes. But most say, "I want to run the golf course but, I want you to maintain it." Nothing is saved in these cases.

Mr. Richins stated that Parks and Recreation keeps Purchasing busy with lots of contracting out for different services.

Tax issues were discussed.

Salt Lake City is not operated as an enterprise fund; they operate in the whole state park system.

Mr. Kesler thanked Mr. Roberts and Mr. Ogilvie for coming to our meeting and making their presentation.

Presentation made by Mike Jerman – Utah Taxpayers Association:

Mr. Jerman stated that Utah golf courses are also a concern for the county. How many golf courses should remain open? What is the burden on our taxpayers? He also stated that many golf courses are losing money and there is a glut of golfing opportunities and you can go anywhere to golf. One of the Taxpayers Association's concerns is public education in Utah. Right now there are not enough funds going there. So basically the concern is the burden on the taxpayers.

Mr. Kesler brought up the fact that the golf courses generate tax dollars for the state.

Mr. Jerman stated that the question was the alternatives for the land. He also asked if we generate any more tax dollars if recreation is moved from one place to another.

Mr. Kesler thanked Mr. Jerman for his thoughts and input on the subject.

It was brought up that bonding was better per state development than private development.

Ms. Rudert brought up water conservation and higher taxes on water. Some golf courses recirculate their water.

Mr. Carver brought up that if the funds from Wasatch pay for the other golf courses then he doesn't see a problem with that.

Mr. Kesler brought up that one of the functions of government is to provide things that most people can afford to enjoy.

For the next meeting it was suggested that we bring ideas for future meetings. The ambulance issue is one.

The meeting was adjourned.

The next meeting will be held on November 12th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, September 10, 2002 at 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Douglas Richins, Secretary
Representative Loraine Pace
Representative Brent Goodfellow
Ramona Rudert
Liz Hawkins
Bill Barton
Scott Carver

Excused:

Douglas Durbano
Norm Tarbox
Commissioner Merwin Stewart
Sharlene Thomas

Visitors:

Judy Hamaker Mann, Director, Utah Driver's License Division
Wally Wintle, Utah Driver's License Division
Verl Shell, A-1 Driving Schools
Alan Silva, Bilingual Driving School
Dennis Young, Bilingual Driving School
Gloria Young, Bilingual Driving School

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for August 13, 2002

After a spelling error correction in the minutes, Ramona Rudert motioned for the approval of the minutes. They were approved unanimously.

Report on the Privatization of UTFC, presented by Steve Grizzell

UTFC was established in 1983 as the Utah Technology Finance Corporation. It was at the time set up to be a venture capitol fund. Immediately after it was established and funded UTFC ability to invest in companies was challenged by the Attorney General as being unconstitutional. There is a provision in the state constitution that prohibits the state from extending its credit to a private entity. Eventually the issue was settled and it was agreed that the entity could issue loans but could own stock in the emerging companies.

From the beginning it was viewed as an entity that should become privatized. Since 1991 the paradox that plagued the organization was, "whether UTFC was an economic development entity or whether their role was to demonstrate that a return on

investment and eventually become privatized?” Depending who was on what legislative committee and what year, that particular directive shifted. The constant pulling in different directions posed challenges. For example, in 1991 UTFC was truly focused on being an Economic Development Agency, and suffered revenue losses. In 1991 they began to restructure so that they could break even. They reached that point and then there was a shift in focus and they were directed to accomplish other activities for the state and started losing money in the range of a million to a million and a half per year.

Then there was an audit done by the legislature and it was decided that UTFC was off of its mission and focused the agency on being self-sustaining. The legislative appropriation was terminated. Eventually it was determined that the agency should be privatized.

Banks and the Industrial Loan Corporations were looked into and they came up with a plan to raise 10 million dollars new money to fund the corporation and give back the money to the state. It took 15 to 18 months to complete this process and come up with insurance plans etc.

The UTFC is now a profitable organization. The lenders are happy and right now their goal is to develop economic development needs so they can pay their lenders back. Some of the major investors are Merrill Lynch, American Express, Wells Fargo, Zions, Morgan Stanley, and Pitney Bowes. They invest in the form of stock and get a 10% annual return.

UTFC's operating money is earned by the interest income they receive on their loans. They loan 5 to 6 million dollars a year in loans. It works out to be about one loan per month. They mostly cater to smaller or start up business. Clearly there are businesses that need a lot more so they partner with other lending institutions to address this.

UTFC charges a fixed interest rate and they have a “warrant” or an opportunity to purchase stock in the future at a price that is predetermined that they could make money on. The interest rate covers the expenses and the warrants provide the return that attracts investors.

All of the UTFC employees were retained in the privatized entity. They were able to provide a benefits package that was comparatively close to the benefits they had with the state.

Presentation regarding Driver's Education, by Verl Shell of A-1 Driving School

Mr. Shell has 20 years experience in driver's education in public schools and 20 years experience in commercial driver's education. His school teaches approximately 4,000 students a year. Mr. Shell believes that both commercial schools and public schools do a good job. As a taxpayer he is not happy to pay for programs that could be privatized. He feels that driving a car is a privilege and not the responsibility of the taxpayers.

Mr. Shell feels that the figures from the Fiscal Analyst's Office and the figures from the schools are not accurate. The state subsidizes \$100.00 per student and the student pays about \$65.00. He also feels that privatization eventually will happen because the cost of education is soaring. It is not something new it is done in many states already.

The figures from the Fiscal Analyst's Office say that 6.1 million dollars are going into driver's education. Mr. Shell feels that much more money than that is going into the program. The Fiscal Analyst's Report states that \$121.43 goes to the schools. Mr. Shell stated that at Beaver School District the cost is \$334.18.

Mr. Shell said that private companies can provide services to all areas. He is also developing an internet based school. A concern was brought up on educating the low-income families. Mr. Shell thought that maybe a voucher would work. Another concern was if Driver's Education was privatized, what about the 50 to 100 new employees that the state would have to hire to administer the processing of the applications. Mr. Shell stated that there is a law that covers commercial testing and with approval it can be done at the commercial drivers education site. The Driver's License Administrative Rule states that you cannot test anyone that you have taught at your school, to avoid a conflict of interest. This, however, does not apply to school districts.

Ms. Mann had a report from NHTSA. This study followed youth for 6 to 8 years after getting their driver's license. This report stated that there was no correlation between driver's education and reducing accident rates and mortality rates in our youth. What the study recommended is that there be a graduated drivers license. Our young people only represent 6% or 8% of our drivers but also represent 15% to 18% of our fatality rates.

Ms. Mann also stated that there are 3 components in creating good drivers:

1. A Drivers Education Course
2. Parent Involvement
3. A Graduated Drivers License

One thing that was noted in the study was that there was a 60% percent reduction in accidents when our youth took driver's education and had a graduated drivers license.

Ms. Mann also stated that if drivers education becomes privatized it will affect the Drivers License Division. There will have to be many more employees to deal with the offices and to oversee the private schools to insure against unscrupulous business practices.

Mr. Kesler asked Mr. Shell if he would be willing to provide us with some of his information on the subject because he has gone to such extensive research. Mr. Shell said that he would.

Mr. Kesler thanked everyone for their time and for attending our meeting. He stated that it was very enlightening and informative for this tough problem that has to be dealt with.

The next meeting will be held on October 8th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, August 13, 2002 at 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Douglas Richins, Secretary
Representative Loraine Pace
Sharlene Thomas
Ramona Rudert
Norm Tarbox
Liz Hawkins
Bill Barton
Merwin Stewart

Absent:

Senator Bill Hickman
Representative Brent Goodfellow
Doug Durbano

Excused:

Jay Dansie, Vice Chair

Visitors:

Judy Hamaker Mann, Director, Utah Driver's License Division
Wally Wintle, Utah Driver's License Division
Gary Ricks, Legislative Fiscal Analyst's Office

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for June 11, 2002

Bill Barton motioned for the approval of the minutes. Jim Kesler seconded the motion. They were approved unanimously.

Presentation from State of Utah, Driver's License Division – Presented by Judy Hamaker Mann, director.

The Driver's License Division oversees driver's education whether that education takes place in public or private high schools, or private driving schools. Approximately 40,000 youth go through driver's education in high schools each year. Several years ago, the legislature amended statutes allowing the high school driver's education instructors to administer both written and driving tests to the students. This has enabled the Driver's License Division to reduce lines in their offices for their other customers.

There are approximately 30 different private Driver's Education Schools in the State of Utah. Ms. Mann indicated that they provide a valuable service to older first time drivers, and to students who don't want to wait to obtain the training in their high school, or who

want to use the class time for other classes. Ms. Mann indicated that this currently provides a mechanism for privatization. The students have a choice.

These private driving schools train about 10,000 students per year. The average fee for these schools is around \$220.00. High School students are charged differing fees, depending on how much each school district chooses to subsidize driver's education. The average fee is about \$65. School districts are also funded \$100 per student from the State Office of Education. Ms. Mann indicated that most of the private schools are only located in the metropolitan areas of the state, and that one of the downsides of going to privatization of driver's education would be that people in rural Utah would not have not have equal access to driver's education.

Every instructor is required to have 21 hours of training offered by BYU or the University of Utah; this includes private and high school instructors. Private schools do a background check to make sure there is no criminal record. They are also required to be at least 21, have 3 years of driving experience and have a clean driving record. The amount of training hours is about the same in high school and in private schools.

Utah is only one of a handful of states that provide driver's education in high schools. In high school driver's education, everything is done in the school: the classroom instruction, the road instruction, the written test, the eye exam and the road test. In private schools, currently one cannot take the road test at the same school that they were trained. The individual must go to another school, or to the Driver's License Division to take the road test. All students must go to the Drivers License Division to get their license issued. Ms. Mann indicated that this is because of oversight, money involved, and to maintain integrity of the testing. High schools have one instructor do the written work, another do the driving instruction and another do the testing. Ms. Mann indicated that the failure rate on the road testing is 30% when the test is performed by the Driver License Division and 3% when the road test is performed by the high school. This is because the Driver License Division has nothing to gain or loose by failing a student. There was considerable discussion among the board regarding what would cause this difference.

The legislature and the schools are concerned because the schools are mandated to provide drivers education and yet enough funds are not provided to fully fund the program. Also, they are concerned with more pressure on academic achievement. Students could use the time to focus on academics. Ms. Mann stated that in her experience with the school system she noticed that driver's education and sports kept the children in school. Representative Pace stated that she did a survey of the 40 school districts and she found that the superintendents did not feel that driver's education kept the children in school. Liz Hawkins felt that attitude in teachers, parents and students played a big role in driver education.

If driver's education is taken out of the schools the Driver's License Division will need to hire 50 to 60 people to cover the 40,000 students who will need their services.

Ms. Mann was asked to bring to the next meeting statistics from other states who had privatized to see if there was a difference in their safety statistics before and after their privatization initiative.

Gary Ricks, from the office of the Legislative Fiscal Analyst expressed concern with the road safety and quality control of driver education in our high schools. He stated that perhaps having a different school do the testing, rather than the school that provided the training would be an improvement.

Ms Mann indicated her support for the current system of having driver's education provided both by private companies and by the high schools. She also indicated her support for the graduated driver's license, believing that this improves safety and reduces accidents and fatalities among youth.

Conclusion of the Meeting

Jim Kesler thanked Judy Hamaker Mann, Wally Wintle, and Gary Ricks for attending the meeting and for the information that they shared with us. They were invited to attend the September 10th meeting.

Jim Kesler asked for other areas that the board wished to examine. Bill Barton suggested that we place an evaluation of golf courses on our agenda. Mr. Richins agreed to invite the director of State Parks and Recreation to the October meeting, and Mr. Barton agreed to contact representatives of private golf courses. Ramona Rudert suggested inviting Steve Grizzell, Executive Director of UTFCC for a report on their apparent smooth transition into the private sector. Mr. Richins agreed to contact Mr. Grizzell and invite him to the September meeting.

The meeting was adjourned.

The next Privatization Policy Board Meeting will be on September 10, 2002.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, June 11, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Chair

Douglas Richins, Secretary

Representative Loraine Pace

Ramona Rudert

Bill Barton

Sharlene Thomas

Representative Brent Goodfellow

Senator Bill Hickman

Excused

Douglas Durbano

Liz Hawkins

Commissioner Sterwart

Norm Tarbox

Visitors

Steve Cramblitt, Driver Education,

Granite School District

Cathy Dudley, Utah State Office of
Education

Gail Johnson, Education Specialist for

Driver Education, Utah State Office of
Education

Absent

Jay Dansie, Vice Chair

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for May 14, 2002

Because there was not a quorum, minutes from the meeting on May 14, 2002 were not approved.

Presentation from the State of Utah, Office of Education Regarding Driver Education – Presented by Gail Johnson

Currently, the Driver Education program is being taught by certified teachers in every high school and within three private schools in the State of Utah. Teachers gain this specific certification from either the University of Utah or Brigham Young University as a minor after a teacher's license has been achieved. Once certified, teachers receive at least a one-day refresher and training conference each year. Also, on the district level, training on updated changes with technology and automobiles are offered as well. The State Office of Education assists the Driver Education programs throughout the state by creating curriculum to be followed in every class structure. The State of Utah Board of Education then approves this curriculum. A portion of the state's core curriculum, "Organization, Administration, & Standards", was distributed to the boards members.

It is mandated that a student attending a public school and registered for driver education must complete 30 classroom hours of instruction, 6 hours behind the wheel training and 6 hours of observation behind the wheel. Recent legislation has required youth to have 30

additional hours of driving time with a parent prior to obtaining a license. Private Driving Schools, which were organized for the main purpose of training adults, only requires 18 hours of classroom instruction. The Driver License Division is responsible for the regulation of these driving schools. Also, as part of the public education curriculum, health screenings are obtained prior to licensing by either the driving instructor or the school nurse. This includes an eye exam along with a questionnaire of health related issues. If a student indicates any medical issues on the health screening form, the student with the parent/legal guardian must seek professional health care and submit the information to the Driver License Division, which will review the student's health issues. The Driver License Division will determine the student's driving capabilities. This information will then be given to the driver education teacher. If the eye exam is not passed, the student cannot participate in the driving part of the behind-the-wheel portion of the driver education class until seen and approved by eye care professional.

All funding for Driver Education is gathered from the Motor Vehicle Tax; the \$2.50 fee attached to vehicle registration. Driver Education is not a part of any other state educational funding. The funding model in which districts receive money is \$100 per student who completes a driver education course. Also, at the end of the year, excess funds are then distributed to 20 alternating districts. If this funding model is not sufficient for a particular district, a registration fee may be collected from the student.

Each district is responsible for submitting an annual report to Cathy Dudley expressing the revenue received from local resources to further help fund their driver education program and their expenditures. An example of a financial report from FY2001 was distributed to the board members and showed total expenditure as being \$6.1 million.

When asked by the board regarding the possibility of privatizing Driver Education, two problems were articulated. The first problem noted was Equity. Because of the vast rural areas of Utah, not all districts would have local or even convenient access to a privately run agency. Also, since money from the Motor Vehicle Tax is only given to the Office of Education, not all driving agencies are using the same funding model for registration, which creates a range between \$175 and \$350 per student. This expense could be costly for families if required to assume the entire cost. The second dilemma is the certification process for driving instructors. While public education requires a formal certification from a university, privately run companies have the jurisdiction to certify their own employees. Without mandated legislation regarding certification, the Office of Education fears that the quality in instructors would decrease.

Mr. Kesler thanked Ms. Johnson, Ms. Dudley, and Mr. Cramblitt for the enlightening overview on their program. Representative Pace expressed interest in inviting to the next board meeting a representative from the Utah Driver's License Division and a representative from the largest commercial driving company. Mr. Richins accepted the assignment to contact these individuals.

Conclusion of the Meeting

Mr. Kesler thanked the board members for attending the meeting today and asked that a letter be sent to all members articulating the cancellation of a July meeting and a schedule of remaining meetings for the year. Therefore, the next Privatization Policy Board Meeting will be held on August 13, 2002 at 10:00 a.m. in room 3150 of the State Office Building

Documents Distributed by State Office of Education
1. Organization, Administration, & Standards
2. 53A-13-201 Driver Education Classes – Utah Code Annotated
3. 53A-13-202 Reimbursement of School Districts for Driver Education Class Expenses
4. Financial Report for Utah State Office of Education 2000-2001

For copies of these documents passed out by the State Office of Education, please call Carrie Hickenlooper at (801) 538-3156.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, May 14, 2002 at 10:00a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Douglas Richins, Secretary
Representative Loraine Pace
Bill Barton
Liz Hawkins
Ramona Rudert
Norm Tarbox
Sharlene Thomas

Jay Dansie, Vice Chair
Commissioner Merwin Stewart
Douglas Durbano

Absent

Senator Bill Hickman

Visitors

Brad Simpson, Director of Motor
Vehicles, Tax Commission
Rod Marrelli, Executive Director of
Admin., Tax Commission

Excused

Representative Brent Goodfellow

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for April 9, 2002

With the change of a misspelled word, Ramona Rudert motioned for the approval of the minutes. Sharlene Thomas seconded the motion.

Overview of Outsourcing by the Division of Motor Vehicles – Presented by Brad Simpson and Rod Marrelli of the Tax Commission

The Division of Motor Vehicles has been pleased with their choice to outsource the service of registration, renewals, and plating to new and used automobile dealer associations and rental companies. Though these outsourced facilities add additional charges to the total price, customers have been pleased by this convenience. Motor vehicles has also entrusted State Fleet services to do their own plating as well.

To help the board better understand all components that form the yearly registration fee, Mr. Marrelli gave the following breakout:

- Registration
- Admissions
- Safety
- A uniform fee for property tax
- The cost for the Tax Commission to serve as a collection agency for public entities requesting special license plates to create revenues for fundraising purposes.

He explained that without all of the extra costs, Registration for a vehicle would only cost \$24.50. In order to better serve their customers, Motor Vehicles established an online registration system, which can accept payments by credit card. When asked by the board

why the online service charged \$3.50 more than if the customer was to pay at the counter, Mr. Marrelli gave three excellent scenarios.

- 1) To mail out the registrations and then receive payment by mail, it costs Motor Vehicles \$1.05
- 2) For an individual to wait in line and pay at the counter, it costs Motor Vehicles around \$1.30 (Mailing costs and staff costs)
- 3) Online renewal costs Motor Vehicles around .50. The money that customers are being charged for is the \$2.50 the bank charges for credit card acceptance and the remaining \$1.00 to the computer company that helps with the online system. The Tax Commission would like to be able to slightly raise registration fees so that the Tax Commission could absorb the credit card fee in hopes that online services would appeal to more users.

In conclusion, both Mr. Simpson and Mr. Marrelli expressed their desire to explore more areas that could be outsourced so that functions could be removed from their office to help taxpayers.

SJR 6 Agenda for Legislative Revenue and Taxation

Mr. Richins gave the board a briefing on the SJR 6, which passed and is now on the study agenda for the Revenue and Taxation Interim Committee. Mr. Richins gave the board the following website, <http://www.le.state.ut.us/Interim/2002/html/2002intrev.htm> so that the board may be informed of future meetings regarding this topic.

Sutherland Institute Auction

Mr. Barton informed the board that the Sutherland Institute was planning a fundraising auction for 8 charities including, Shriner's Hospital, Utah Boys Ranch, and Utah Food Bank.

Quasi-Government Agencies

Stemming from last month's discussion on future topics for the board, Representative Pace distributed a copy of a flow chart mapping out the Quasi-Government Agencies for the board's reference. During the upcoming month, she will have the Quasi-Government staff contact Mr. Richins with appropriate contacts for each agency. Representative Pace suggested also that the board invite the State Office of Education, Driver's Education Division to come and address the possibility of outsourcing this service to help alleviate Education's budget. Other areas also mentioned were: Custodial Services, School Breakfast and Lunches, and Transportation.

Mr. Kesler ended the meeting by expressing his appreciation to the board for the successful meeting and reminded the members that the next meeting will be held on Tuesday, June 11, 2002 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, April 9, 2002 at 10:00a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Representative Brent Goodfellow
Representative Loraine Pace
Liz Hawkins
Ramona Rudert
Commissioner Merwin Stewart
Norm Tarbox
Sharlene Thomas

Excused

Douglas Richins, Secretary
Douglas Durbano

Absent

William Barton
Jay Dansie
Senator J.W. Hickman

Jim Kesler, Board Chair, conducted the meeting.

Approval of the Minutes for December 11, 2001 and January 7, 2002

After a grammatical change to the January 7, 2002 minutes, a motion was made by Commissioner Stewart to approve the minutes. Ms. Rudert seconded the motion.

Letter From Attorney General's Office

According to the Privatization Policy Board statute the board has jurisdiction over the privatization efforts of all agencies. As per the discussion raised by the board on December 11, 2001, Mr. Steve Schwendiman, Assitant Attorney General, provided the board a letter stating whether or not Higher Education is considered to be included within the definition of "agency". Paraphrasing, the letter indicated that because higher education is governed by the Board of Regents, which has been considered as a state agency by Risk Management and the Federal Courts, that higher education therefore falls with the Privatization Policy Board's jurisdiction. Mr. Tarbox argued that all nine institutions pre-date the organization of the Board of Regents. Also, being familiar with the federal court cases sited within the letter led him to the opinion that to generalize their findings to the board's question could be a stretch. Mr. Tarbox accepted the assignment from Mr. Kesler to arrange a meeting with Bill Evans and Steve Schwendiman from the AG's office to continue this discussion.

Update on 2002 Legislative Session

Mr. Kesler reported that the SJR 6, the joint resolution urging a study of certain tax exemptions, which the board listened to on December 11, 2001, was passed in both the Senate and the House of Representative during the past Legislative Session. It was indicated that a task force is still being formed to investigate the taxing of governments when they compete with private enterprises.

Subjects and Areas To Be Considered For Future Meetings

Mr. Kesler opened the floor to the quorum to discuss possibilities for subjects and areas to be considered for future board meetings. The following were discussed:

- Tax Commission and their Motor Vehicle Registration (*Mr. Kesler will invite representatives to the next board meeting*)
- Re-invite UDOT to discuss their Crack Sealing procedures and costs
- Private Health Insurance Industry – The encroachment on the private market by public programs (*Commissioner Stewart will contact representatives for a future board meeting*)
- The Legislative Quasi Government Committee that deals with Quasi Government agencies. (*Representative Pace will research for any topics within this organization*)

Conclusion of the Meeting

Mr. Kesler thanked the board members for attending. It was agreed upon that the next board meeting would be scheduled for May 14, 2002 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes of the Meeting of the Utah Privatization Policy Board
Monday, January 7, 2002 at 1:30 p.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Douglas Richins, Secretary
Representative Brent Goodfellow
Liz Hawkins
Representative Loraine Pace
Ramona Rudert
Commissioner Merwin Stewart
Norm Tarbox

Excused

Douglas Durbano
Sharlene Thomas

Absent

William Barton
Jay Dansie
Senator J.W. Hickman

Visitors

Dr. H. Lynn Cundiff, President of Salt Lake Community College
Frederick VenDerVeir, Utah Public Employees' Association

Jim Kesler, Board Chair, conducted the meeting

Approval of the Minutes for December 11, 2001

The meeting officially began with an examination of December 11, 2001's minutes. Mr. Kesler believed the thrust of Senator Howard Stephenson's presentation to be the concern regarding the loss of funds that schools could receive from the RDA, which was not articulated within the minutes. It was decided that the minutes would be tabled until Mr. Kesler could have an opportunity to clarify Senator Stephenson's position.

Privatization Efforts at Salt Lake Community College

Dr. H. Lynn Cundiff, President of SLCC since April 26, 2001, was invited to address the board regarding privatization efforts within SLCC, particularly the IT area, the Bookstore, and Food Services.

Dr. Cundiff stated that the core mission of SLCC is teaching and learning, however, he adds that they are business oriented as well. Perhaps even more so than other Higher Education Institutions. With an outdated tax structure and the growth of 1,800 students in the past year, resources are dwindling and solutions are needed. Because of these dwindling resources, Salt Lake Community College is down 3 million dollars so far this year. Areas of improvement at SLCC are the: Information Technology Department, the Bookstore, and Food Services. Privatization was seen as a solution that could increase resources and revenue in each of these areas.

Privatization within Information Technology

When Dr. Cundiff began at SLCC he experienced struggles with the existing IT team. In particular was the concern for the quick turnover of their employees. Often an employee would be hired and then within three months be recruited to private industry. Because of this constant turnover and the lack of skills within the existing team, the college turned to Collegius, and awarded that private firm a sole source contract.

Collegius is a team which runs 130 different colleges' IT areas, specializing in distant learning facilities and the training of faculty. Existing employees of the college are guaranteed one year of employment (full benefits and salary) and are retained after the year if their performance meets standards. Problems such as sick and annual leave policies do differ between SLCC and Collegius and are being looked at. However, Dr. Cundiff expressed those employees who merge with Collegius often retain their employment for at least three years; this being the incentive that such differences can be worked out. Collegius also offers the college the ability to become an International Center for eLearning. By doing so, business people from all over the world would come and receive training in educational distance learning. Dr. Cundiff believes that this partnership will provide the opportunity for SLCC to net 1.3 million dollars per year.

Privatization within the College Bookstore

The lack of customer service at the college bookstore has been a top complaint by students. Also, the concern over the unstable revenue of the organization has raised the concern of Administration. For example, two years ago the bookstore was down \$75,000, but was up the following year by \$400,000. This year, however, they are on track again to lose \$70,000. SLCC is currently looking at the possibility of outsourcing the bookstore. Two bids have been received from companies who, between the two of them, run over 1000 college bookstores nationwide. Both of these bids guarantee that SLCC would net \$300,000 a year plus all employees would be kept and the awarded company would rent the existing space. The company would also buy the current inventory with the estimated worth being around one million dollars. SLCC would then invest the money into an escrow account to collect interest. This interest would provide an additional 60-70 scholarships. SLCC has not yet decided whether this area will be privatized or remain operated by the college.

Privatization of SLCC's Food Services

Salt Lake Community College is currently a few years away from formally considering the privatization of this area. Physically, the college is being remodeled to facilitate

outsourcing. Those who are contracted with would lease the available area and provide the college a percentage.

Conclusion of the Meeting

Mr. Kesler thanked Dr. Cundiff for his presentation and thanked the board members for attending. It was agreed upon that the next board meeting would be scheduled for March 12, 2001 at 10:00 a.m. in room 3150 of the State Office Building.

Please Note that this meeting was subsequently postponed to April 9, 2002 at the same time and location of the previous meeting.

Minutes
Utah State Privatization Policy Board Meeting
December 11, 2001, 10:00 a.m.
3150 State Office Building, Salt Lake City

Attendees

Jim Kesler, Board Chair
Representative Loraine Pace
Norm Tarbox
Sharlene Thomas
William T. Barton
Douglas Durbano
Ramona Rudert
Douglas Richins

Excused

Commissioner Merwin Stewart

Absent

Jay B. Dansie
Senator J.W. Hickman
Representative Brent Goodfellow
Elizabeth Hawkins

Visitors

Senator Howard Stephenson
Taz Biesinger, Utah Home Builders Association
Eric Isom, Utah State Senate
Spencer Stokes, Stokes Strategies
Stephen Schwendiman, Attorney General
Scott Hogensen, Utah Taxpayers Association
Jim Olsen, Utah Retail Merchants
Melva Sine, Utah Restaurant Association
R. Rows, Utah School Superintendents Association
Steven H. Peterson, Utah School Boards Assoc. & Utah School Superintendents Assoc.
Mike Herman, Utah Taxpayers Association
Marta Murvosh, Salt Lake Tribune
Jamie Cowen, KUTV News
Scott Earl, Utah League of Credit Unions
Travis Wood, Utah League of Credit Unions

Jim Kesler, Board Chair, conducted meeting.

Mr. Kesler welcomed the board members to the meeting and asked for a motion to approve the minutes from the board meeting of November 13, 2001 with the changes made by Representative Pace. Mr. Barton moved to adopt the minutes and Ms. Rudert seconded the motion. All members voted in favor.

Mr. Kesler then introduced Senator Howard Stephenson, who requested the board's input on his proposed legislation regarding the development of a task force to investigate taxing governments when they compete with private enterprises. His concept is to empower a legislative taskforce to evaluate whether it would be equitable for such public enterprises to pay tax on those areas where they are competing with private companies who do pay tax. He said that his interest spawns from the funding crisis which will be facing Utah's public schools, where an estimated 100,000 additional students will need to be accommodated by the year 2010. Senator Stephenson requested that the board consider adopting a resolution in favor of his proposed legislation.

The board heard testimony supporting the concept of this legislation from Steven H. Peterson, representing the Utah School Boards Association & Utah School Superintendent's Association; Melva Sine, representing the Utah Restaurant Association; Taz Biesinger, representing the Utah Home Builders Association; and Scott Hogansen, representing the Utah Taxpayers Association.

After discussion, Ms. Rudert moved to approve the following resolution and Mr. Durban seconded the motion. All board members voted in favor. ***"The Utah Privatization Policy Board supports Legislation to create a Legislative Task Force to study the equitable taxation (especially for the benefit/funding of education) of public enterprises which compete with the private sector, but do not pay the same taxes as their private sector counterparts."***

Mr. Richins indicated that he would forward the resolution to Senator Stephenson.

Stephen Schwendiman, from the Attorney General's office, joined the meeting at the board's request to discuss his interpretation of the intent of the statute on the role and authority of the board. Mr. Schwendiman indicated that he had not done a significant amount of research on the topic, but that his reading of the statute provided that the authority of the board extended to state agencies, not to local governments, or school districts. The statute defines an agency as: "'Agency' means a department, division, office, bureau, board, commission, or other administrative unit of the state." Of particular interest to the board was whether or not the word "agency" included higher education as a unit of the state. Mr. Schwendiman rationalized that, though unclear in the statute, the fact that a representative from higher education is a board member led him to believe that higher education would be included within the definition. Mr. Tarbox disagreed saying that if the legislature were to adopt the statute today, that definition would not include higher education. He said that now when the legislature intends to include higher education as a state agency a clause is added saying "and an institution of higher education". It was agreed that the board would look further into this, but the

consensus was that to invite higher education to meet before the board and respond to privatization issues would not be offensive to the statute.

The next agenda item included a presentation by Norm Tarbox, Associated Commissioner of Higher Education articulating privatization efforts among higher education since 1996. He distributed to the board a paper entitled "Recent Elements of USHE to be Privatized (since 1996)", which is incorporated into these minutes.

Sharlene Thomas raised a discussion on the Salt Lake Community College's intent to privatize their bookstore and Information Technology services. The board asked Mr. Richins to extend an invitation to the President of SLCC, or his representative to come to the next meeting to review with the board SLCC's privatization efforts in the areas of information technology and the bookstore.

The next board meeting was scheduled for January 7, 2001 at 1:30 pm in room 3150 of the State Office Building.

Mr. Kesler thanked the board for their attendance and participation and then adjourned the meeting.

Attachment: Paper titled "Recent Elements of USHE to be Privatized (since 1996)".

Minutes
Utah State Privatization Policy Board Meeting
November 13, 2001
10:00 a.m.

Attendees

Jim Kesler, Chairman
Jay B. Dansie
Rep. Brent Goodfellow
Rep. Loraine Pace
Sharlene Thomas
Norm Tarbox
William T. Barton
Douglas G. Richins
Ramona Rudert

Excused

Commissioner Merwin Stewart
Douglas Durbano

Absent

Sen. J.W. Hickman

Meeting was conducted by Jim Kesler.

Being that three new board members were in attendance at this meeting (Representative Loraine Pace, Ramona Rudert, and Norm Tarbox) Mr. Kesler asked each board member to take a moment to introduce themselves. In remembrance of the late senator and former board member, Pete Suazo, Mr. Kesler related his admiration for Pete's influence over the citizens of Utah.

Douglas Richins presented an overview of the Privatization Policy Board, its purpose and objectives, as well as the newly developed web site. This web site contains information such as the mission statement and statute of the board as well as past minutes, agendas, and the contact information for each board member. During his presentation, great interest was raised by the board to gain more knowledge regarding the privatization of the Salt Lake Community College bookstore project. Concern was raised, however, that Higher Education might not be classified as an agency. Rep. Pace volunteered to have the legal staff confirm this.

As for the future direction and organization of the board, it was agreed upon that monthly meetings should continue to be held on the second Tuesday at 10:00 a.m. in the Purchasing Conference Room. Future interest and agenda topics are the following:

- *Privatization of the SLCC Bookstore
- *Presentation by the Utah Restaurant Association
- *Presentation from the Utah Home Builders Association
- *List of privatization initiatives within Higher Education – to be presented by Mr. Tarbox.
- *Mr. Barton would like to unfair competition with local governments.

Mr. Kesler thanked the board and adjourned the meeting with the reminder that they would meet again on December 11, 2001 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes
Utah State Privatization Policy Board Meeting
February 13, 2001
10:00 a.m.

Attendees

Jim Kesler, Chairman
Rep. Brent Goodfellow
Commissioner Merwin Stewart
Sharlene Thomas
William t. Barton
Douglas G. Richins

Excused

Nora Stephens
Douglas Durbano
Fred R. Hunsaker

Absent

Sen. L. Steven Poulton
Sen. Pete Suazo
Jay B. Dansie

Jim Kesler, Chairman, conducted meeting.

Mr. Kesler welcomed the board members to the meeting. Because a quorum was not present, no official action was taken.

Much discussion was given to the development of a Utah Policy Book regarding Privatization. It is the goal of the board to develop a document that gives guidelines, references, and information to assist agencies. Other suggestions included definitions, procedures, and guidelines for developing a successful contract.

Minutes
Utah State Privatization Policy Board Meeting
January 9, 2001
10:00 a.m.

Attendees

Jim Kesler, Chairman
Rep. Brent Goodfellow
Commissioner Merwin Stewart
Nora Stephens
William t. Barton

Excused

Douglas G. Richins
Douglas Durbano
Jay B. Dansie
Fred R. Hunsaker

Absent

Sen. L. Steven Poulton
Sen. Pete Suazo
Sharlene Thomas
Thomas Bielen

Meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members to the meeting. Because a quorum was not present, no official action was taken.

Much discussion was given to the development of a Utah Policy Book regarding Privatization. It is the goal of the board to develop a document that gives guidelines, references, and information to assist agencies. Other suggestions included definitions, procedures, and guidelines for developing a successful contract.

To continue the development of this document, a committee of board members consisting of Jim Kesler, Commissioner Merwin Stewart, William T. Barton, Douglas Richins, Douglas Durbano, Jay B. Dansie, and Sharlene Thomas was organized to meet on February 13, 2001 at 10:00 a.m. in room 3132 of the State Office Building.

MINUTES
PRIVATIZATION POLICY BOARD MEETING
June 13, 2000
10:00 AM

Attendees:

Jim Kesler, Chairman
Douglas Richins, Secretary
Rep Brent H. Goodfellow
William T. Barton
Sharlene McFarland
Douglas Durbano
Fred R. Hunsaker

Absent:

Jay Dansie, Vice Chair
Senator L. Steven Poulton
Senator Pete Suazo
Thomas Bielen

Visitors:

John Kimball, Dep. Of Wildlife Resources

Excused:

Commissioner Merwin U. Stewart
Rep. Nora T. Stephens
Steve Price

Meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitor to the meeting. Because a quorum was not present, no official action was taken.

Department Of Wildlife Resources - John Kimball

Mr. Kimball was invited to address the board on the positive and negative effects of privatization in the Department of Wildlife Resources. A background was given on the development of Hardware Ranch from the 1930s to present. Through a competitive process a contract was awarded to an individual to open a restaurant and manage the visitor services (sleigh rides and visitor's center) Also was awarded the contract of growing the hay and running all of the production responsibilities of the ranch. These contracts increased profits for the ranch. Representative Goodfellow asked several questions regarding the 1996 Systems Consultant contract for Big Game Drawings. There was considerable discussion about the mailing of the applications for the drawing and whether this system is customer oriented.

Future Direction of the Board

- * Mr. Durbano's remarks on Privatization in Education will be the first order of business in September.
- * Bill Barton suggested inviting Jordan Clemans who is organizing a nonprofit scholarship fund.
- * Mr. Durbano would also like to see Motor Vehicle Registration looked at by the board.

Mr. Kesler closed the discussion with a reminder that the next meeting will not be until September.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, May 9, 2000
10:00 a.m.

Attendees:

Jim Kesler, Chairman
Douglas G. Richins, Secretary
Rep Brent H. Goodfellow
Rep Nora T. Stephens
Merwin U. Stewart
William T. Barton
Sharlene McFarland
Douglas Durbano
Fred R. Hunsaker

Excused:

Thomas Bielen

Absent:

Jay B. Dansie, Vice-Chair
Senator L. Steven Poulton
Senator Pete Suazo
Steve Price

Visitors:

None

Meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members to the meeting. Following a motion by Representative Stephens, the minutes of the previous meeting, April 4, 2000, were approved.

Report of Internet Site For the Privatiza

tion Policy Board - Douglas Richins

Mr. Richins discussed the development of an Internet site to notify the public about the Privatization Policy Board. This site will be accessed through the State's home page under Boards and Commissions. Another anticipated route is to have the site included in an Alphabetical Listing of State Agencies. The object of this site is to educate the public regarding the role and responsibilities of the Board. This will be achieved by posting the Board's mission and goals along with their meeting agendas, minutes and reports. An avenue for contacting the members of the Board about privatization issues will also be included. The Board's hope is that this Internet site will bring posture to this committee.

Direction and Subjects For Future Agendas

- Mr. Stewart and Rep. Stephens would like to hear reports from agencies about their success with Privatization. This could help in giving the Board a direction.
- Mr. Durbano suggested investigating privatization of services performed by counties,

cities, and school boards. He is particularly interested in inviting School Boards to come to a future board meeting.

- Follow-up reports presented by agencies seen by the board was also proposed.
- Mr. Barton is interested in the contracting out of golf courses and the development of an amendment to give the Board authority.
- Mr. Richins suggested that UDOT come and discuss their successes regarding privatization
- Rep. Goodfellow suggested that Wildlife Resources be invited to discuss public concern over obtaining licences and registrations.
- Rep. Stephens advised that the Board also consider the subjects of Driver's Licenses, Vehicle Registration, and Adoption.

It was decided to invite Wildlife Resources to present at the next meeting. In the event that Wildlife Resources is unable to attend, UDOT could be invited

The board moved that Privatization meetings would not be held in the months of July and August and that they would reconvene in September.

An invitation by Mr. Richins was extended to members to attend an Overhead Presentation on Privatization. This will be given to a group made of individuals from foreign countries on May 11, 2000 at 1:30pm in room 3150 of the State Office Building.

Mr. Kesler closed the discussion with a reminder that the next meeting will be held on Tuesday June 13, 2000 in room 225 of the State Capitol.

Assignment	Person Responsible	Date Due
Contact & Invite DWR	Douglas Richins	June 13, 2000
Contact & Invite UDOT	Douglas Richins	June 13, 2000
Present Comments on Board of Education	Douglas Durbano	June 13, 2000

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, April 4, 2000
10:00 a.m.

Attendees:

Jim Keeler, Chairman
Merwin U. Stewart
Rep. Nora Stephens
Sharlene McFarland
Douglas Durbano

Excused:

Douglas Richins, Secretary
Steve Price
Fred Hunsaker

Absent:

Jay B. Dansie, Vice Chair
William Barton
Rep. Brent Goodfellow
Senator L. Steven Poulton
Senator Pete Suazo
Thomas Bielen

Visitors:

Reed Taylor, Division of Purchasing and General Services

The meeting was conducted by Jim Keeler, chairman. Mr. Keeler welcomed the board members and visitor to the meeting. Because there was not a quorum present, no official action was taken.

Mr. . Keeler led the Board in a open discussion on the future of the Privatization Policy Board.

Following the discussion, the next meeting was set for May 9, 2000 at 10:00 am in room 225.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, January 11, 2000
9:30 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
William Barton
Merwin U. Stewart
Rep. Brent Goodfellow
Sharlene McFarland
Fred Hunsaker

Excused:

Douglas Richins, Secretary
Steve Price

Absent:

Rep. Nora Stephens
Senator L. Steven Poulton
Senator Pete Suazo
Thomas Bielen

Visitors:

Bob Richards, Salt Lake Chamber
Drew Chamberland, The coalition for accountable government
Betty Christensen, The coalition for accountable government
Michael Packard, The coalition for accountable government
Jim Clark, UTA
Bill Barns, UTA

The meeting conducted by Jim Kesler, chairman. Mr. . Kesler welcomed the board members and visitors to the meeting. Following a motion by Mr. . Kelsler, the minutes of the previous meeting held December 14, 1999 were approved.

Update on proposed legislation affecting the Privatization Policy Board.

Representative Swallow explained the proposed legislation affecting the Privatization Policy Board. The legislation will give the board authority to hold public hearings with private enterprise, prohibit commercial activities by government agencies, and make recommendations to the legislature to propose policy language regarding private vs. public competition. The privatization policy board will gain two new board members from government agencies. Division of Purchasing and General Services will provide the staff support which will cost an additional 10,000 to 20,000 dollars. Mr. . Kesler suggested that an investigator and legal advise would be

helpful in assisting the board. The board asked Representative Swallow if the two Legislature Representatives would still be able to serve on the board? Representative Swallow stated that because this board does not have enforcement capabilities, the two legislatures can serve on the board. Representative Swallow asked the board to help draft the necessary language. Mr. . Kesler, Ms. McFarland, Mr. . Barton and Mr. . Hunsaker volunteered to represent the boards interests. The board is in favor of the bill. Representative Swallow hopes this bill will allow the board to do a complete investigation of privatization issues which will give credibility to the board.

Utah Transit Authority of Development of Properties

Mr. Drew Chamberland, Mrs. Christensen, and Mr. Michael Packard were in attendance at the board meeting representing the Coalition for Accountable Government.

Mr. Drew Chamberland stated that UTA's interest in the development of properties is extremely dangerous and should not be considered. Mrs. Christensen pointed out an expensive add in the publication "Envision Utah" that UTA funded that she deemed inappropriate. She stated that the add violated restrictions on how tax monies should be spent. Mr Packard presented some facts and opinions about public transportation but did not present any issues regarding privatization.

Bill Barns of the UTA stated that the resolution regarding the development of properties (Resolution No. 354) mandated nothing more than obtaining board approval and following federal regulations. Mr. Kesler asked Mr. Barn if RFPs were being used in the procurement process for which Mr. Barns answered in the affirmative. Mr. Kesler emphasized that the intent of the resolution needed to be communicated with the private sector.

Mr. Barton indicated he had some concern with the verbiage in the resolution that gives UTA the authority to be a "Sole developer". Mr. Barns indicated that he would add some clarification language.

Mr. Kesler advised UTA of some tax issues and then thanked UTA for coming to the board meeting.

Mr. Barton provided a copy of a proposed resolution titled Privatization Review Board Resolution to the board and ask that they review the document in the March meeting.

Mr. Kesler ask for other comments and adjourned the meeting until March.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Wednesday, January 13, 1999
10:30 a.m.
Approved March 9, 1999

Attendees:

Jim Kesler, Chairman	Douglas Durbano
Jay B. Dansie, Vice Chair	Merwin U. Stewart
Douglas Richins, Secretary	Rep. Nora Stephens
William Barton	Senator Pete Suazo
Thomas Bielen	Rep. Brent Goodfellow
Sharlene McFarland	

Visitors:

David Winder, Utah Dept. of Community & Economic Development
Robyn Arnold-Williams, Utah Dept. of Human Services
Doug West, Utah Dept. of Human Services
Marty Shannon, Adoption Advisory Council
Frances Smith, DCFS Adoptions
D. Steadman, DCFS Adoptions
Jamee Roberts, People Helping People
Bob Lockyer, Small Business Leg. Task Force

Excused:

Fred Hunsaker
Senator L. Steven Poulton
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held December 8, 1998 were approved following a motion by Mr. Stewart.

PROPOSED PRIVATIZATION OF THE DCED NATIONAL BUSINESS RECRUITMENT FUNCTION

At the December 8th Privatization Policy Board meeting, David Winder, Executive Director of the Utah Dept. of Community & Economic Development came before the Board to provide notice of his department's intent to privatize the National Business Recruitment function within the Division of Business Development. He gave a presentation and the Board asked questions and then excused Mr. Winder believing that the privatization efforts of the size he was proposing did not require Board approval. However, without Board approval the statute requires a 120 day waiting period before the Department may move ahead with it's privatization effort. Since Mr. Winder would like to move ahead sooner than 120 days Mr. Richins invited him back before the Board to seek approval. Following a brief discussion a motion was made by Mr. Barton and seconded by Mr. Stewart to approve Mr. Winder's privatization effort. The motion was approved with two dissenting votes by Mr. Bielen and Ms. McFarland.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
January 13, 1999
Page 2

PRIVATIZATION OF ADOPTION SERVICES - Robyn Arnold-Williams

Mr. Kesler then turned the meeting over to Ms. Robyn Arnold-Williams, Executive Director of the Dept. of Human Services to discuss potential privatization of adoption services.

Background

Ms. Arnold-Williams began her presentation with a budget overview (ATTACHMENT A). The overall budget for the Department of Human Services for fiscal year 1999 is \$461,379,019. This amount includes the Division of Youth Corrections. During FY'99, the Department of Human Services will *contract out* nearly \$219,701,700. This amount is equal to approximately 48% of the department's total budget. Contracting and privatization is a very large issue for Human Services. Because Human Services had ventured into some fairly expansive contract privatization efforts, it was decided in 1997 that the Department would provide some privatization guidelines (ATTACHMENT B) for their agencies and for their own efforts as they began to look at additional functions that should be privatized.

Division of Child and Family Services Privatization Initiatives

During this past year 98-99 the Division has implemented two major privatization efforts: 1) The Foster Care Foundation which was authorized by the Legislature last year authorizing the Division to privatize and contract out for the recruitment, training and support of foster parents; and 2) The Christmas Box Foundation in conjunction with the author, Richard Paul Evans, to develop children shelters throughout the state.

The Kansas Model

On October 1, 1996, Kansas contracted all adoption services to a single statewide private agency whose primary business is to find homes for children in need of permanent families. The contract agency is responsible for the recruitment and training of prospective families and for preparation and placement of children into those homes. Rochelle Chronister, Secretary of the Kansas Department of Social & Rehabilitation Services, indicated to Ms. Arnold-Williams that if they had it to do over again they would not have gone as far and as fast as they did. Privatizing all of child welfare at one time is not something they would do again. They have experienced significant cost over runs in their foster care out of home care privatization effort. Of the three major areas Kansas privatized, adoption has been the most successful although not as successful as they had hoped.

Human Services Current Plans

Ms. Arnold-Williams plans to take all the data and recommendations from the Adoption Advisory Council and The Board of Child and Family Services and put the Department's privatization guidelines to the test. She expects this analysis to be complete within three to four months, and once done, she indicated she would like to come back before the Board with a report containing specific recommendations from the Department as to which functions of adoptions should be privatized.

Personal Philosophy

"This is an issue I think we should look at. I admit that I am not ready to privatize foster care and other aspects of child welfare with respect to that. However, I believe that privatizing adoptions is one area that does hold potential. So, I am entering into this discussion voluntarily and with a very open mind. I am also willing to say that if after all the analysis is complete and it does not look like **UTAH STATE**

PRIVATIZATION POLICY BOARD

January 13, 1999

Page 3

privatization is in the children's best interest, then I am not going to take that position," concluded Ms. Arnold-Williams. (Note: Ms. Arnold-Williams is tentatively scheduled to return before the Board May 11, 1999 with

results of her Department's analysis.)

FAIRNESS and TAXATION RESOLUTION - Douglas Durban o

Mr. Kesler then turned the meeting over to Mr. Durban o to review his resolution.

Resolution - Fairness and Taxation (ATTACHMENT C)

Following discussion and rewording, a motion was made by Mr. Durban o and seconded by Mr. Barton to approve the resolution. The resolution was approved with two dissenting votes by Mr. Bielen and Ms. McFarland. Board members determined that this resolution should be distributed to the Governor's Office, Leg. Management Committee, Chairs of Revenue and Taxation Committee, Office of Leg. Research and Office of Fiscal Analyst.

MOTOR VEHICLE LICENSING & REGISTRATION POSITION PAPER - Jim Kesler

Mr. Kesler handed out his position paper and asked the members to read and critique it (ATTACHMENT D). Following a brief discussion on the format and some rewording Mr. Kesler invited the members to take the position paper home and continue to review it and bring it back to the next meeting for further discussion.

BOARD POLICY REGARDING PRESS RELEASES

Mr. Kesler turned the meeting over to Mr. Barton to discuss press releases. Mr. Barton feels that any positive thing the Board does, such as passing resolutions, should be issued in a press release. Mr. Kesler agreed, but cautioned that a couple of the resolutions that were passed recently needed to be amended due to language or inaccurate information. Rep. Stephens asked if the Board had access to anyone with expertise in writing resolutions and press releases. Mr. Stewart said he felt it would be in the best interest of the Board to work through the Governor's office since these resolutions may become a public issue. Board members decided that Mr. Kesler and Mr. Richins would meet with Vicki Varela, Deputy Chief of Staff, to discuss how to handle press releases.

Mr. Kesler closed the meeting with a reminder that the Board would not meet during the month of February. Instead, the next Privatization Policy Board meeting will be held on Tuesday, March 9, at 9:00 a.m. in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
January 13, 1999
Page 4

TASK	PERSON RESPONSIBLE	DUE DATE
Send <i>Private Bus Contracting for Utah School Districts Resolution</i> to State Office of Education and recommend that they distribute it to the school districts. Also in the letter invite their response.	Richins	
Correspond with San Juan School District, Ogden School District and Utah Schools for the Deaf and the Blind and ask them what their experience has been with private school bus contracting.	Richins	
Send <i>UTA Bus Contracting Resolution</i> to UTA board members. Also in the letter invite their response.	Richins	
Send <i>Fairness and Taxation Resolution</i> to Governor's Office, Leg. Management Committee, Chairs of Revenue and Taxation Committee, Office of Leg. Research and Office of Fiscal Analyst.	Richins	
Meet with Vicki Varela to discuss how to handle press releases.	Kesler & Richins	
Critique Jim Kesler's Position Paper.	Board Members	March 13
Invite Robyn Arnold-Williams back to the May 11 th Board meeting to discuss the results of her Department's adoption analysis.		

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, March 9, 1999
9:00 a.m.
Approved April 13, 1999

Attendees:

Jim Kesler, Chairman	Douglas Durbano
Jay B. Dansie, Vice Chair	Fred Hunsaker
Douglas Richins, Secretary	Steve Price
William Barton	Sharlene McFarland
Thomas Bielen	

Visitor:

Bob Lockyer, Small Business Leg. Task Force

Excused:

Merwin U. Stewart
Rep. Nora Stephens
Rep. Brent Goodfellow
Senator Pete Suazo
Senator L. Steven Poulton

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitor to the meeting. The minutes of the previous meeting held January 13, 1999 were approved following a motion by Mr. Barton.

REPORT ON SB49 - Douglas Richins

Mr. Kesler turned the meeting over to Mr. Richins to give a report on Senate Bill 49, Unfair Competition Act. Mr. Richins indicated that the original bill was substituted with revised bills. The Third Substitute SB49 did not pass the Senate. Mr. Richins highlighted to the Board a significant policy statement articulated within SB49. It was found on line 150 of the Third Substitute.

(1) It is the general policy of the state that a government agency or institutions of higher education should not begin or maintain any commercial activity to provide goods or services for the use of other governmental agencies or institutions of higher education or for public use if such goods or services can be procured from private enterprise through ordinary business channels.

Mr. Richins pointed out that this policy statement would have had a significant impact. The policy statement is one that Mr. Richins believes has not existed in statute before. It would have the effect of discouraging intergovernmental cooperation and would focus the procurement of those services upon the private sector.

Further discussion of SB49 centered around the concept of unfair government competition. Mr. Lockyer, Salt Lake Chamber of Commerce Small Business Legislative Task Force, indicated that their highest priority was to see that SB49 passed. He made known there are numerous private businesses, from

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD

March 9, 1999

Page 2

pharmacies to mining engineer consultants, furious that the legislation didn't pass. "A lot of businesses are threatened

with going out of business due to government competition. Analytical Laboratories are predicting a 30% loss this year due to government competition,” said Mr. Lockyer. Mr. Lockyer asked the Board to please study and work out some kind of an accord with these industries. The Board agreed with Mr. Lockyer that the three industries that had lobbied so hard in favor of SB49, pharmacies, environmental testing laboratories and engineering groups, have some legitimate issues that should be heard. Mr.

Richins mentioned that he had been contacted by a woman from an engineering group in Cedar City who, if SB49 failed, would like to come before the Board and articulate issues relative to what she perceives as unfair competition. A motion was made by Mr. Barton requesting that the Board develop a policy statement relative to unfair competition. The motion was seconded by Mr. Hunsaker and passed unanimously.

“This Board is merely advisory, a lot of the good this Board can accomplish is just in the discussion phase bringing people together helping them conceptualize privatization and see that maybe this is an avenue where they can assist their agency in being more effective,” said Mr. Richins.

PRIVATE PRISON UPDATE - Douglas Richins

Mr. Kesler once again turned the meeting over to Mr. Richins this time for a brief update on the private prison. “Currently a Request for Proposal is out on the street and the due date for the final submission is March 16. This proposal is for a private company to site, design, construct and then operate a five hundred bed medium security prison facility for the Dept. of Corrections. It is a two-step RFP process, the first step was to identify and establish the field of qualified contractor teams. The offerors have been narrowed down to four teams: MTC, Wackenhut Corp., Cornell Corrections Corp., and Corrections Corp. of America. I’ll be happy to keep the Board apprised of its progress,” said Mr. Richins.

REVIEW and FINALIZE ANNUAL REPORT

Mr. Kesler then turned the meeting over to the board members to discuss the Board’s annual report. After some discussion a motion was made by Mr. Durbanio and seconded by Mr. Barton to adopt Mr. Kesler’s position paper. Mr. Dansie expressed concern that each position paper should be simple and straight forward. He suggested that all papers should be structured in the same format as Mr. Kesler’s utilizing the heading’s *Problems Observed, Possible Solutions, Conclusion, and Reference & Testimony*.

REVIEW PRIORITIES

Board members decided to forward this agenda item to the April meeting.

PRESS RELEASE POLICY - Douglas Richins & Jim Kesler

On March 8, Mr. Kesler and Mr. Richins met with Vicki Varela of the Governor’s Office to discuss press releases. Mr. Kesler expressed concern whether the Legislature really anticipated that the Privatization Board would be issuing press releases given it is an advisory board only to the Governor and the Legislature. After some discussion, it was concluded that it is *not* the role of the Privatization Board to issue press releases. Therefore, as a normal course of practice, the Board will not issue press releases on positions that it takes.

MINUTES

UTAH STATE PRIVATIZATION POLICY BOARD

March 9, 1999

Page 3

Mr. Barton expressed concern that the Privatization Board’s function needs to be announced to the private sector. Board members agreed. Mr. Kesler volunteered to contact Mr. Lockyer of the SL Chamber and have him include an announcement in their newsletter. Mr. Kesler asked Mr. Durbanio to contact the Davis Chamber of Commerce and Mr. Barton to contact the South Valley Coalition of Chambers and notify them of the Board’s meeting schedule.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, April 13, 1999, at 9:00 a.m. in room 225 of the State Capitol.

TASK	PERSON RESPONSIBLE	DUE DATE
Contact Mr. Lockyer of the SL Chamber of Commerce and ask him to include an announcement regarding the Privatization Board in their next newsletter.	Kesler	
Contact the Davis Chamber of Commerce	Durban	
Contact the South Valley Coalition of Chambers	Barton	
Write a letter to J. David Barba, Colorado State Auditor, for permission to use some of his language contained in Colorado's Privatization Assessment Workbook.	Richins	

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, April 13, 1999
9:00 a.m.
Approved May 11, 1999

Attendees:

Jim Kesler, Chairman	Douglas Durbano
Jay B. Dansie, Vice Chair	Fred Hunsaker
Douglas Richins, Secretary	Thomas Bielen
William Barton	Sharlene McFarland
Rep. Nora Stephens	Merwin U. Stewart
Rep. Brent Goodfellow	
Senator Pete Suazo	

Visitor:

Senator Howard Stephenson
Bob Richards, SL Chamber Small Business Leg. Task Force

Excused:

Steve Price
Senator L. Steven Poulton

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Bob Richards, SL Chamber Small Business Leg. Task Force, introduced himself as Bob Lockyer's replacement. The minutes of the previous meeting held March 9, 1999, were approved following a motion by Mr. Barton.

Overview of S.B. 49, *Unfair Public Competition Act* - Senator Stephenson

Mr. Kesler turned the meeting over to Senator Stephenson to give an overview of his S.B.49, *Unfair Public Competition Act*. "The failure of S.B.49 to pass was due to several different factors. This year certain groups became very mobilized against the bill partly because the bill specifically prohibited government from competing with the private sector in three areas: pharmacies, engineering consulting, and environmental testing services," said Senator Stephenson.

In Senator Stephenson's opinion the most important part of S.B.49 was changing the Privatization Policy Board to a Commission with actual authority to take legal action when those services that were prohibited by the Legislature continue to be provided by state or local governments. The new Commission would also be charged to hear complaints from the private sector and then make recommendations to the Legislature regarding what areas ought to be prohibited.

Senator Stephenson indicated that if he were to bring the bill again, he would simply change the Privatization Policy Board to a Commission and not prohibit any services or competition. Senator Stephenson encouraged Board members to urge the Legislature, through its interim study, to look at legislation that would expand the Policy Board's authority. Senator Stephenson feels that he should not sponsor this bill again, suggesting instead that the sponsor should be a Legislator on the Business, Labor and Economic Development Committee.

Rep. Stephens indicated that she felt the Board should send a letter to the Legislative Management Committee to encourage studying enhanced powers for the Privatization Policy Board. After some discussion, Rep. Stephens made a motion that she would draft the letter in behalf of the Board to the Legislative Management Committee expressing the Policy Board's desire to have this issue studied by the Legislature. (Letter Attached.) The motion was seconded by Mr. Durbano and passed unanimously.

Senator Stephenson informed the Board that this issue is Item #93, "Unfair competition to study options for dealing with unfair government competition with the private sector," on the master study list. In the past the committee that has considered this legislation was Business, Labor and Economic Development. On April 21, 1999, Legislative committees will have the opportunity to look at and request to study any items even though they are grouped by subject area. If there are duplicate requests for study the Legislative Management Committee will determine which committee should study the item.

Privatization Policy Board's Annual Report

Ms. Moulton passed out a draft of the annual report. Senator Suazo made a motion that Board members individually review the draft and that it be placed on May's agenda for editing and finalization. The motion was seconded by Mr. Dansie and passed unanimously.

Other Business

The Board had a discussion concerning Utah Correctional Industries and subsequently decided to review if UCI is unfairly competing with the private sector.

Rep. Stephens pointed out that many government agencies are contracting out parts of their services but the Privatization Policy Board is being left out of the process. By statute, government agencies are required to come before the Board for approval if the contract is expending more than \$2,000,000 of their budget in a fiscal year. Senator Suazo asked if there was anyway to quantify how much privatization is taking place in government agencies? Rep. Stephens made a motion that a letter be sent to department heads reminding them of the Board's role and the statute requiring them to seek the Board's approval if they are going to privatize any function greater than \$2,000,000. Also included in the letter is a request for information from department heads outlining the level of service they currently have privatized and the level of product that is purchased. The motion was seconded by Senator Suazo and passed unanimously.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, May 11, 1999, at 9:00 a.m. in room 225 of the State Capitol.

TASK	PERSON RESPONSIBLE	DATE DUE
Draft a letter in behalf of the Policy Board to the Legislative Management Committee expressing the Board's desire to have Item #93 be privatized for studied by the Legislature.	Rep. Stephens	Finished
Send a letter to department heads reminding them of the Board's role and the statute requiring them to seek the Board's approval if they are going to privatize any function greater than \$2,000,000. Also included in the letter is a request for information from department heads outlining the level of service they currently have privatized and the level of product that is purchased.	Mr. Richins	

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, May 11, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Rep. Nora Stephens
Rep. Brent Goodfellow
Senator Pete Suazo
Douglas Durbano
Fred Hunsaker
Thomas Bielen
Sharlene McFarland
Merwin U. Stewart

Excused:

Steve Price
Senator L. Steven Poulton

Visitor:

Shaun Heaton, Bonneville Asphalt & Repair

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitor to the meeting. The minutes of the previous meeting held April 13, 1999 were approved following a motion by Rep. Goodfellow.

Unfair Government Competition Issue - Shaun Heaton

Mr. Kesler turned the meeting over to Shaun Heaton owner of Bonneville Asphalt & Repair for a brief presentation to articulate issues relative to what he perceives as unfair competition. "UDOT over the past twenty years has reduced to zero the number of cracksealing contracts it lets out to the private industry and has decided to do it all in-house," said Mr. Heaton. According to Mr. Heaton the private crackseal industry has been extremely hurt in Utah because of the continual move among public entities like counties and cities following UDOT's lead and buying their own equipment to do bring cracksealing operations in-house. "We see small cities like Monticello and Washington City buy \$25,000 in cracksealing equipment only to use it for a few days a year," said Mr. Heaton. Orem and Ogden have done careful cost studies and determined that it is not financially feasible for them to make such expenditures and subsequently they continue to contract out cracksealing operations. Mr. Heaton has discussed this issue with David Miles, UDOT Operations. In Feb. he presented his concerns to UDOT Commissioners and asked them for the opportunity to bid against UDOT or for them to release more jobs to the private sector. UDOT Price District did have a bid out for cracksealing. But they canceled it because the funds were transferred to the I-15 project. Mr. Heaton feels that his concerns have fallen on deaf ears.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
May 11, 1999
Page 2

Mr. Heaton is also concerned that UCI is being allowed to compete with private businesses to do cracksealing on state facilities for DFCM and even for UDOT. When approaching UCI about their "prisoners for hire" program, they seem to make it so restrictive and unfair by insisting on three months wages in advance. "I understand there is a statute that provides preference for UCI. However, the use of UCI should not be to the detriment of private business," concluded Mr. Heaton.

Senator Sauzo pointed out that the tax payer have another perspective with regard to UCI. "The tax payer expects the best job at the lowest price. They are happy to see the UCI workers out there for a couple reasons; cheaper labor and the debt being payed to society. But we do need to be careful not to cross over into direct competition with the private sector unfairly," said Senator Suazo.

Edit and Finalize Annual Report

In the last meeting a draft copy of the annual report was distributed so members could take a month to digest it and make changes to it. Following a discussion and some editing, a motion was made by Senator Suazo and seconded by Rep. Stephens to approve the language in Mr. Kesler's *Motor Vehicle Licensing and Registration* summary. The second motion was made by Senator Suazo and seconded by Mr. Durbano to approve the language in Mr. Barton's *School Bus Transportation* and *Utah Transit Authority Contracting* summaries. The third motion was made by Rep. Stephens and seconded by Mr. Hunsaker to approve the language in Rep. Stephens' *Privatization of State Adoption Services* summary. And the final motion was made by Mr. Durbano and seconded by Senator Suazo to approve the language in Mr. Durbano's *Fairness in Taxation* summary. All motions passed unanimously. Mr. Bielen expressed concern that although he is approving the language in these summaries they do contain resolutions that he voted against. Mr. Richins indicated that board meetings and minutes would be referenced at the end of each summary and they would also be available on the Internet for public record.

Priorities for Future Meetings

Mr. Richins pointed out that board members need to identify issues that they want to study for the 1999-2000 fiscal year. Prior to the June meeting, Ms. Moulton will email board members requesting them to identify issues that they would like to study. This list of study issues will then be compiled for the June meeting.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, June 8, 1999, at 9:00 a.m. in room 225 of the State Capitol.

TASK	PERSON RESPONSIBLE	DATE DUE
None Assigned		

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, June 8, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Rep. Nora Stephens
Steve Price

Excused:

Douglas Durbano
Fred Hunsaker
Merwin U. Stewart
Rep. Brent Goodfellow
Senator L. Steven Poulton
Senator Pete Suazo
Sharlene McFarland
Thomas Bielen

Visitors:

Corrie Lynne Player, Tahoma Companies, Inc.
Gary Player, Tahoma Companies, Inc.
Cheryl Cope, Tahoma Companies, Inc.
Robin Arnold-Williams, Utah Dept. of Human Services
Larry Becknell, Consulting Engineers Council of Utah
Craig Peterson, Consulting Engineers Council of Utah

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Because a quorum was not present, the review of the minutes of the previous meeting held May 11, 1999 was delayed until the next meeting.

Privatization of Adoption Services - Robin Arnold-Williams

Mr. Kesler turned the meeting over to Robin Arnold-Williams, Executive Director of Human Services, for an update on privatization of adoption services since her last visit with the board on January 13, 1999.

Centralized Contract Monitoring

Since the Department of Human Services contracts out nearly 300 million dollars in federal and state funds to more than eighteen hundred contracts throughout the year, the department is embarking on an initiative to clearly define the role of the department, the role of the divisions and implementing a centralized contract monitoring system. A complete summary of Human Services "*Goals for Centralized Contract Monitoring*" is attached.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
June 8, 1999
Page 2

Adoption Policy

The adoption policy has been reviewed and revised by the Board of Family and Child Services. It is not without controversy. One provision that is most controversial is verification that all adults residing in the household are legally related to the proposed parent or parents by blood or legal marriage. The focus of this provision is on same sex couples but in reality it would also mean any unrelated adult, such as a live-in nanny, would preclude the family from adoption. Several national organizations as well as state organizations have threatened legal action.

RFP

The department has issued an RFP for the recruitment and assessment of adoptive families for children in the custody of the State. Assessments would take place in Salt Lake, Weber, Davis and Utah Counties and may on occasion take place throughout the rest of the state. Ms. Arnold-Williams indicated that she would keep the board informed of the outcome of this RFP.

Unify the Home Study

Currently there are separate home studies for prospective foster parents and prospective adoptive parents. Since 60 percent of adoptions that occur with kids in the custody of the State are by their foster parents, it doesn't make sense to have the foster parents go through another process. The merging of these two home studies is near completion and will result in making it easier for families that want to make the transition from foster to adoptive to do so without having to go through a whole new process.

Foster Care Foundation

The Foster Care Foundation was endorsed by the 1998 Legislature authorizing the Department of Human Services to privatize and contract out for the recruitment, training and retention of foster families. The Foster Care Foundation has raised more than two million dollars in private funds to provide it with the firm basis to start. The Foundation has opened its doors, has a board of directors, has hired an executive director and staff (many of whom worked with The Department of Human Services). The Foundation will begin a major recruitment training and retention effort for foster families later this summer. Staff from Child and Family Services will be working with the Foundation to do a joint recruitment.

Post Adoption Support Services

In many cases the children that are adopted out of Child and Family Services custody are "special need's children." CFS is currently completing a study with the assistance of the University of Utah to identifying the key post adoption support services needed for such "special need's" adoptions. Ms. Arnold-Williams anticipates releasing an RFP later this summer for provision for post adoptive support services by a private provider rather than to do it all in-house.

"We are moving forward under the strategy of smaller geographic areas, pieces of the adoption program rather than putting the entire program on the street. We are testing to see what kind of interest there is out there and what providers there are. So we will focus on the recruitment of families and the assessment of them and the matching of those with post adoptive support services," concluded Ms. Williams.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
June 8, 1999
Page 3

Unfair Government Competition Issue - Corrie Lynne Player

Mr. Kesler turned the meeting over to Corrie Lynne Player president of Tahoma Companies, Inc. for a presentation articulating issues relative to what she perceives as unfair competition. A complete summary of Ms. Players testimony is attached. Craig Peterson, Lobbyist for the Consulting Engineers Council of Utah (CECU) joined Ms. Player at the microphone to add his experiences along the same line. His private company along with Ms. Players competed for the same management plan and lost to the same state-funded entity. At the end of Ms. Players presentation, the board asked her and Mr. Peterson to bring a draft policy /rule to the September 14, 1999 meeting. The board indicated that the draft would give them time to review and discuss the issue in order to prepare documents for consideration by the 2000 Legislature.

Review Study Items

Prior to the August meeting, Ms. Moulton will email board members requesting them to prioritize the study issues that have been compiled. The outcome of this prioritization assignment will be presented during the August meeting.

Mr. Kesler closed the meeting with a reminder that the board will not be meeting during July. The next Privatization Policy Board meeting will be held on Tuesday, August 10, 1999, at 9:00 a.m. in room 225 of the State Capitol. (This meeting was canceled.)

TASK	PERSON RESPONSIBLE	DATE DUE
None Assigned		

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, September 14, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Rep. Nora Stephens
Steve Price
Fred Hunsaker

Excused:

Merwin U. Stewart
Sharlene McFarland
Thomas Bielen

Absent:

Douglas Durbano
Rep. Brent Goodfellow
Senator L. Steven Poulton
Senator Pete Suazo

Visitors:

Bob Richards, SL Chamber
Craig Peterson, Consulting Engineers Council of Utah (CECU)
Paul Sampson, USU Auxiliaries

The meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Because a quorum was not present, the review of the minutes of the previous two meetings held May 11, 1999, and June 8, 1999 was delayed until the next meeting.

October 12, 1999 Policy Board Meeting, Bob Richards, Salt Lake Chamber, will bring several people to give presentations articulating issues relative to what they perceived as unfair government competition.

Discussion of Statutes Requiring Contracting Out - Douglas Richins

Mr. Kesler turned the meeting over to Douglas Richins for a discussion of statutes requiring contracting out. Below is a brief summary of each statute. A complete summary of these statutes is attached.

10-7-20 Public Improvements Cities and Towns

If the estimated cost of the proposed improvement exceeds \$25,000, those projects should be let out to the private sector. If the proposed improvements have been bid twice and no satisfactory bids are received, then the cities and/or towns may utilize their own forces.

17A-3-208 County Improvement Districts

No restrictions. Counties do not have the same prohibition that cities and towns have on projects **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

September 14, 1999

Page 2

exceeding \$25,000. Instead, they have a broad statutory authority to do projects utilizing their own

forces.

17A -3-308 Municipal Improvement Districts

No restrictions. Municipal Improvement Districts do not have the same prohibition that cities and towns have on projects exceeding \$25,000. Instead, they have a broad statutory authority to do projects utilizing their own forces.

53A -20-101 School Districts

If the project is less than \$80,000 then the school district can make the improvements utilizing its own forces. If the project is greater than \$80,000 then the project needs to be let out to the private sector.

64-1-4 State Institutions

This is an outdated statute that should have been repealed in 1980 when the procurement code was adopted, but apparently was missed.

72-6-107 Road Construction UDOT

If the project is greater that \$40,000, then the project should be let out to the private sector.

72-6-108 and 72-6-109 Road Construction Counties and Municipalities

Any road project that exceeds \$100,000 should be let out to the private sector.

73-10-27 Division of Water Resources

If the project is greater than \$35,000, it then needs to be let out to the private sector. If the project has been bid twice and no satisfactory bids were received, then the Division of Water Resources may utilize their own forces.

Unfair Government Competition Issue - Craig Peterson

At the June meeting Corrie Lynne Player president of Tahoma Companies, Inc. and Craig Peterson representing the Consulting Engineers Council of Utah (CECU) gave a presentation articulating issues relative to what they perceived as unfair government competition from universities relating to proposals on engineering services. At the end of their presentation, the board invited both Ms. Player and Mr. Peterson back to the September meeting asking them to bring some concrete recommendations as to how they believe this issue can be remedied. (Ms. Player sent a letter asking to be excused from this meeting.) Mr. Peterson indicated that he believed that there was an appropriate place for universities to provide engineering services to government agencies. He proposed that the universities not be restricted from providing such services, but that when a public entity goes out through an open competitive process, inviting private sector firms to submit proposals then the universities should be precluded from submitting competing proposals. Mr. Peterson will return before the board in either November or December with a draft of CECU's bill.

Review Study Items

Prior to the September meeting, Ms. Moulton e-mailed board members requesting them to prioritize the study issues that have been compiled. The outcome of this prioritization assignment was presented. The tabulation is attached. Mr. Kesler expressed an interest in studying privatizing administrative aspects of state parks. His interest was peaked when he took his grand kids to the Spruces, which is a Federal

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD

September 14, 1999

Page 3

recreation area, and then also to Wasatch State Park and their was quite a contrast in the maintenance of the campgrounds. The Forest Service and BLM have contracted out the upkeep of the Federal camp grounds and consequently, it was very well maintained. The board decided to invite Courtland Nielson to come and address the position of Parks and Recreation relative to privatization.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, October 12, 1999, at 9:00 a.m. in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, October 12, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Merwin U. Stewart
Rep. Nora Stephens
Senator Pete Suazo
Sharlene McFarland

Excused:

Steve Price

Fred Hunsaker
Thomas Bielen

Absent:

Rep. Brent Goodfellow
Senator L. Steven Poulton

Visitors:

Bob Richards, Salt Lake Chamber of Commerce
Ruth Ann Hamilton, Salt Lake Chamber of Commerce
Alan Heal, SaltLake.Com
Jim Olsen, Utah Food Industry Assoc.
Rep. John Swallow

The meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous three meetings held May 11, June 8 and September 14, 1999, were approved following a motion by Rep. Stephens.

Government Competition Issue - Bob Richards

Mr. Kesler turned the meeting over to Bob Richards who brought members of the Salt Lake Chamber of Commerce for a presentation articulating issues relative to what they perceive as unfair government competition. Mr. Richards started his presentation by pointing out that small businesses rarely have the resources to take action on government competition issues. Right now there isn't a body that exists that provides a voice for the small business if there is a situation where they are competing against government. Then Mr. Richards turned time over to the other members to briefly articulate their experiences with government competition.

MINUTES

UTAH STATE PRIVATIZATION POLICY BOARD

October 12, 1999

Page 2

Alan Heal - SaltLake.Com

Mr. Heal is the creator of SaltLake.Com which is a website designed to be an information resource for small business in Salt Lake City. Mr. Heals became concerned when he read an article in a local news paper that indicated that the State of Utah was going to construct a website that would act as an electronic chamber of commerce. Mr. Heals feels that the creation of this state website is a duplicate and is in direct competition to his current website. Ms. Ruth Ann Hamilton, Salt Lake Chamber of Commerce indicated that her concern is should the government go beyond making a website highlighting what services the government is providing and go over and provide a website for what the private businesses are doing especially when there is already a website like SaltLake.Com ?

Jim Olsen, President of Utah Food Industry Association

The issue Mr. Olsen wanted to highlight to the board was that of a County owned and operated pharmacy in Roosevelt competing with local private businesses. In Roosevelt a county hospital opened a retail pharmacy in direct competition with two small pharmacies that already existed in that community. There was enough business spread between two businesses but by spreading it to three it would not create a profitable situation. Mr. Olsen investigated the situation and found that there is no law, regulations, or mechanism that allows private industry to take a complaint to a board or commission to be able to address this issue of competitive advantage that government sometimes has.

Bob Richards concluded the presentation by pointing out that all the examples the board has heard today revolve

around the issue that a mechanism needs to be in place that allows a small business owner to complain about government competition.

Rep. John Swallow

Rep. Swallow is considering introducing a bill to the Legislature similar to the S.B 49 that Senator Howard Stephenson had tried to get passed last year. Rep. Swallow proposes a bill that would first create a commission. Second this commission would have enforcement ability to enforce current laws. And third the commission would have hearing authority to hear complaints regarding violations of current laws. This commission would still study areas of privatization and would make recommendations to the Legislature. Rep. Stephens recommended to Rep. Swallow that in order for the commission recommendations to make a difference, there needs to be a follow up mechanism in the bill. Rep. Swallow asked the board for volunteers to help him write the bill. Those members that volunteered were: Mr. Barton, Senator Suazo, Mr. Durban o.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, November 14, 1999, at 9:00 a.m. in room 225 of the State Capitol.

**MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, November 9, 1999**

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice-Chair
Senator Pete Suazo
Rep. Nora T. Stephens
Merwin U. Stewart
Sharlene McFarland
William T. Barton
Douglas Richins, Secretary

Excused:

Steve Price
Fred Hunsaker
Rep. Brent H. Goodfellow

Absent:

Thomas Bielen
Senator L. Steven Poulton
Douglas Durban o

Guests:

Bob Richards, Salt Lake Chamber of Commerce
Courtland Nelson, Division of Parks & Recreation

Steve Roberts, Division of Parks & Recreation
Stephen Ogilvie, Division of Parks & Recreation
Faye Lincoln, University Hospital

Meeting conducted by Jim Kesler, Chairman. Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held October 12, 1999 were approved, following a motion by Sharlene McFarland which was seconded by Senator Suazo.

State Parks and Recreation Privatization Efforts

Courtland Nelson, director of the Utah Division of Parks & Recreation presented a report on the status of privatization efforts at State Parks. State Parks has had successes and failures in privatization. State Parks utilizes the private sector in three main areas. **Private Concessions** (about 30 of these) are used successfully at state parks for such areas as food service, bookstores, equipment rental, etc. **Service Contracts** (about 30 of these) are utilized to privatize areas from refuse removal, janitorial services to the entire management of the Rails to Trails State Park and This is the Place State Park. **Special Use Permits** are awarded to create one on one relationships to provide some kind of service such as high performance athletic competitions, special interest needs, international television contracts, etc. The Parks Board consists of nine members appointed by the Governor, by judicial district plus one at large. As a general rule, they supervise the policies and procedures of state parks and give recommendations on overall objectives they want to achieve. The board does not get involved in the negotiations of specific contracts. The legislature has basically mandated that the State Parks be self funding so they try to be very much in tune to the market place and the needs of the customers. Mr. Nelson discussed difficult issues that surround "heritage parks" which historically do not break even, but are still important to develop and maintain. He discussed the partnership between the state and the This is the Place Foundation that was developed to operate This is the Place State Park. In response to a question from the board about the State of Oregon's fine park system, Mr. Nelson explained the history behind the Oregon Parks. Some of the Oregon Parks rent out yurts to visitors. Yurts are hexagonal sided building that go back to a Native American structure. They have wooden frames and then have canvas covers and in the middle of them is a stove. They have a maintenance life of about 15 years before you have to replace the canvas. State Parks has some interest in getting into that type of business, however, they will be in competition against private camp ground owners. Mr. Nelson asked the if the board would encourage State Parks to move ahead in private investment in cabins or yurts. The board responded yes. Mr. Nelson also discussed the partnership between the Divisions of Parks & Recreation and the Division of Wildlife Resources and a private concessionaire to operate the Hardware Ranch in Cache County. There was questions and discussion about the State Parks role in operating golf courses. Currently State Parks operates golf courses at Wasatch Mountain State Park in Midway, Palisades State Park in Sanpete County, at Jordan River State Park in the Rose Park area of Salt Lake City and a golf course in Green River. Mr. Nelson said that golf courses as a general rule, loose money. Wasatch Mountain's golf course however does well. The profits go back to the golf course and the rest of the park so they can provide equipment and keep the park in good shape. The money does not go to the private sector, but it does offset the cost of any general fund dollars. Mr. Nelson indicated that it is a misconception that profits from Wasatch Mountain State Park pays for other parks. Mr. Nelson responded to specific questions from the board about past and future privatization efforts in specific areas and parks including Jordan River State Park, the Great Salt Lake and Antelope Island. The board thanked Mr. Nelson for his information.

Proposed Legislation Affecting the Board

Bob Richards provided a brief update on the working group working with Representative Swallow on the legislation that the representative discussed at the last board meeting. It was agreed to place this item on the agenda for the December board meeting. Representative Stephens indicated that she was also

preparing legislation that would affect the privatization policy board statute. She expressed a willingness to present the proposed legislation at the December board meeting as well.

Other Items

It is suggested that submitting the annual report required by statute in the fall would be better so that the legislature has time to consider the information before they meet in general session. Mr. Barton raised a concern that Utah Correctional Industries is selling signs and printing to private entities in unfair competition with the private sector.

The agenda for the December board meeting was discussed. Mr. Richins was asked to invite representatives from the Utah Transit Authority to discuss property development plans and potential issues with competing with the private sector. If the UTA representatives are not available in December, they could be invited to the January meeting and representatives from Utah Correctional Industries could be invited to provide an overview of their program. It was agreed to start the December 14, 1999 meeting at 8:30 a.m. to accommodate legislative members who have other commitments later that morning.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, December 14, 1999

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice-Chair
Steve Price
Rep. Nora T. Stephens
Merwin U. Stewart
William T. Barton
Douglas Durbano
Senator Pete Suazo
Douglas Richins, Secretary

Excused:

Sharlene McFarland
Fred Hunsaker
Rep. Brent H. Goodfellow

Absent:

Thomas Bielen
Senator Steven Poulton

Visitors:

Bob Richards, Chamber of Commerce, Small Business Leg. Task Force
Lilian Anthony, Utah Correctional Industries
Richard Clasby, Utah Correctional Industries
Jesse Gallegos, Utah Department of Correction Admin.
Jim Clark, Utah Transit Authority
Kathryn Pett, Utah Transit Authority
Richard Swensen, Utah Transit Authority
Ken Montague, Utah Transit Authority

The meeting conducted by Jim Kesler, chairman. Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held November 9, 1999 were approved, following a motion by Mr. Barton.

Utah Transit Authority

Kathryn Pett, Richard Swenson and Jim Clark representing UTA met with the board to explain the background and UTA's intent regarding real estate development and specifically the UTA board's intent in adopting "Resolution No. 354 entitled *Resolution Adopting Policy for Real Property Ownership, Development and Disposition*". The Privatization Policy Board was interested in learning whether UTA intends to act as a real property developer possibly creating unfair competition with the private sector.

Background

Operational funding for UTA is provided by sales tax, state funding is not involved. 80% of capitol funds come from the federal government which are subject to FTA policy. FTA policy allows funds to be used for a light rail system and allows to UTA to develop the property that encourages additional ridership. UTA factors that influence operation: 1) UTA does not have power of eminent domain. 2) Lack of operating funds and 3) UTA responds to requests from local government for assistance to shape the community.

UTA's Resolution

Ms. Pett discussed a new policy on Transit Joint Development which was issued by the Federal Transit Administration of the U.S. Dept. of Transportation. (A copy of this policy was distributed, and is attached to these minutes). This new policy prompted the UTA resolution No. 354. UTA makes opportunities so the private sector can develop properties thru federal funding. The resolution, adopted 6 months ago, allows the board to consider on a case by case basis the development of property. The developer is selected by a RFP process unless there is a justification of a sole selection. Mr. Barton pointed out that item D in the resolution states that UTA can be the sole developer. Mr. Price questioned how developer partners would be selected. UTA responded that unless it would constitute a sole source, the selection would be made via a competitive Request for Proposal process. Mr. Kesler pointed out that there is concern by the private sector about UTA entrepreneurship that has not been explained to the public. Mr. Clark, president of the board, stated that UTA does not have the intent of going into competition with private business. They do not have enough revenue. They will look at every case opportunity on a case by case basis. UTA's is interested to capturing revenue if it available and they would be remiss if they didn't. He thinks the resolution and guidelines adopted are fair, and the board can change if it's is not fair. But in May, they knew they were going to have property development with the light rail running. UTA knew there was going to be a lot of opportunities available and wanted to have a policy in place so they were prepared. Mr. Price asked Mr. Clark to reaffirm that any development efforts would be subject to competition, which Mr. Clark affirmed. Mr. Kesler pointed out that UTA could have communicated their intent regarding this issue to the public more clearly.

Utah Correctional Industries

At the boards request, Richard Clasby, the director of the Utah Correctional Industries presented a report on the purpose and activities of the Utah Correctional Industries, which is a division of the Utah Department of Corrections. He provided an excellent handout which summarized his fine report. A copy of that report is attached to the minutes. In response to concerns about potential competition with private industry, Mr. Clasby indicated that with the exception of their "joint private ventures", they only sell items to government entities. Mr. Barton questioned Mr. Clasby about whether they sell signs to the private sector. Mr. Clasby responded that while they have the legal ability to do that, their internal policy is to not sell signs to private entities or individuals. Occasionally mistakes are make and he is committed to correct those errors. Jesse Gallegos representing Pete Haun, the Director of the Department of Corrections affirmed their support for the goals and operations of UCI.

Update on Proposed Legislation Affecting the Privatization Policy Board

Rep. Swallow did not attend the meeting. However, Bob Richards representing the Salt Lake Chamber of Commerce distributed to the board a copy of a letter that the Chamber's Small Business Legislative Task Force had sent to Representative Swallow with suggestions. A copy of that letter is included with the minutes.

Next Meeting

The agenda for the January board meeting was discussed. It was agreed that next month the board would discuss UTA again. Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, January 11, 2000, at 9:00 a.m. in room 225 of the State Capitol. (This time was subsequently changed to (9:30 a.m.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
January 13, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Rep. Brent Goodfellow
Thomas Bielen	Jay B. Dansie
William Barton	Senator Pete Suazo
Douglas Durban	Merwin U. Stewart

Visitors:

Susie Adams, People Helping People
Lee D. Eaton, Mountain States Analytical
David Salisbury, The Sutherland Institute
Layne Meacham

Excused:

Melanie Hall
Fred Hunsaker
Senator Poulton
Steve Price

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. Mr Kesler then invited board members Douglas Durban, Senator Pete Suazo and Merwin U. Stewart to introduce themselves and tell a little bit about their background so the other board members could get to know them. Mr. Kesler then provided an opportunity for the visitors to introduce themselves. The minutes of the previous meeting held December 17, 1997 were approved as presented following a motion from Mr. Dansie.

Mr. Kesler then turned the meeting over to David Salisbury of The Sutherland Institute who gave a presentation on privatization. The Sutherland Institute's mission is to advance solutions to public policy issues in Utah, especially solutions that rely on the voluntary private sector as opposed to always looking to government to solving problems. The Sutherland Institute sees privatization as an integral part of an effective and efficient government.

Mr. Kesler then turned the meeting over to the board members for a review of legislation affecting privatization. Representative Stephens indicated that she was not personally aware of any legislation that would affect privatization. Senator Suazo pointed out that the effects might be felt more through the appropriation process rather than by legislation.

Representative Goodfellow indicated that he would like the board to review some areas that have already been privatized to find out if in fact they are actually working. He mentioned the Utah State Fair, Workers Compensation, 800 MHZ and Construction of Buildings (design build). Mr. Richins suggested a presentation from the Salt Lake School Board on their experiences with the privatization of school busing. Mr. Durban suggested a review of the Utah State Bar and Senator Suazo suggested **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

January 13, 1998

Page 2

a review of Youth Corrections. It was decided by the members that at least two of these suggested organizations

should be invited to the next board meeting to discuss their experiences, both pros and cons, of being privatized.

Mr. Kesler then turned the balance of the meeting over to the board to discuss potential privatization issues. The board members came up with eight potential privatization issues which are: health services, transit services, prisons (DUI offenders), foster care and adoption services, construction of buildings (design build), education (any aspect), toll roads and finish privatization of emissions, inspection and registration of the car.

Mr. Kesler than assigned Mr. Richins and Ms. Moulton the task of sending out a survey to the board members so they could rank the potential privatization issues.

Mr. Durbano asked that a discussion of the privatization guiding principles be placed on the agenda for the next Privatization Policy Board meeting. Mr. Richins agreed that it is important for this board to discuss those issue and to either refine them or embrace them.

At the conclusion of the meeting, Mr. Kesler asked the members if they would like to set a schedule for the next several meetings. Members decided to schedule a policy board meeting on the second Tuesday of every month through June at 9:00 am. The location to be announced prior to each meeting. The next board meeting was set for Tuesday, March 10, 1998 at 9:00 am. (Subsequently the next meeting was canceled.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
April 14, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Douglas Durbano
Jay B. Dansie	Merwin U. Stewart
William Barton	Thomas Bielen
Senator Pete Suazo	

Visitors:

Donna Dahl, Utah State Fairpark
Kay Pope, Salt Lake City School District
Lee D. Eaton, Mountain States Analytical
Charles D. Brokopp, Utah Department of Health
Wayne Pierce, Utah Department of Health
David Salisbury, The Sutherland Institute
Robert Lockyer, Small Business Leg. Task Force

Excused:

Rep. Brent Goodfellow
Melanie Hall
Fred Hunsaker
Senator Poulton
Steve Price

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held January 13, 1998 were approved, with one correction, following a motion from Mr. Barton.

Donna Dahl - Utah State Fairpark

Mr. Kesler then turned the meeting over to Donna Dahl who gave a presentation on the Utah State Fairpark. Ms. Dahl indicated that the first mandate of the Fairpark is to provide the State Fair for the citizens of Utah.

About five years ago the Legislature put together a task force composed of legislators and business men. They visited several fairs across the country. One of them was Colorado State Fair, and another was New Mexico State Fair. Subsequently, the Utah State Fairpark was patterned after these examples and was made into a quasi state agency. It is interesting to note that both Colorado and New Mexico State Fairs have since gone bankrupt and are now under control of their State Legislature.

Ms. Dahl indicated that privatization has been a challenge for the Fairpark. They have to be **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

April 14, 1998

Page 2

innovative looking for private enterprise to come in to help generate revenue. Currently, an attraction they are looking at is an aquarium and botanical garden from a company called AMS Planning and Research in Petaluma,

California. Another enhancement to the Fairpark is the prospects of the east-west light rail. If the light rail had a stop at the Fairpark, they could do a park and ride for downtown Salt Lake City and/or the Salt Lake International Airport. It would also provide additional walk through traffic for the aquarium and botanical garden.

USA Volleyball has indicated that they would like to build a volleyball facility on the Fairpark, however, they would use it for only nine months out of the year and they want the Fairpark to split the building costs. Unfortunately, the Fairpark would not recoup any money since they cannot charge the athletes for parking when they come to practice. They can only charge for major volleyball tournaments. Another idea suggested is to build a BMX bike ring and skate boarding area on the grounds. The Fairpark has also entertained the idea of putting a hotel on the White Ball Park.

The Fairpark has a unique location. It is a very valuable piece of State property that needs to be used at its highest optimal level, yet still maintain the integrity of the State Fair. On April 21, 1998 there will be a meeting held of private business people and planners from the state. They will be brainstorming to see if they can come up with a master business plan that looks at the types of facilities that would work at the Fairpark and the revenue that they would generate. Mr. Barton asked Ms. Dahl if she would notify the board of the results of the business meeting being held on April 21st.

Kay Pope - Salt Lake City School District

Mr. Kesler then turned the meeting over to Kay Pope to give a privatization status briefing on school busing for Salt Lake City School District (ATTACHMENT A). Their budget for running the bus program was \$1,714,899. Tran Spec's bid was \$1,218,735. There were two other private bidders, however their bids were more expensive than the cost for the district to do the busing itself. In addition, with Tran Spec purchasing the district's fleet it would infuse \$1,086,816 of capital into the Salt Lake School system. If you project that out over a five year period, Salt Lake School District would be looking at a savings close to \$3,832,643. Therefore, it appeared to be a good idea to privatize the school busing program.

Tran Spec at this time was successfully running the transportation services for the Schools for the Deaf & Blind. The problem Tran Spec ran into with Salt Lake City is that a school district is much more sophisticated and there is much more involved than running the transportation services for the Schools for the Deaf & Blind. The routes are shorter and much more complex and the timing is much tighter. Nevertheless, the main reason Tran Spec failed is because their local managers didn't seem to have a grasp on what it would take to run the program. To begin with Tran Spec reorganized all the established bus routes. Subsequently, when school started they were unable to pinpoint exactly where a student would get on a bus and just how many children would be riding each bus. Consequently, it was a real hit and miss situation which poisoned the public against them almost immediately. Another critical factor in the failure was that the bus drivers did not support the privatization effort, even after they were hired by Tran Spec.

Salt Lake is not the only district that has tried privatizing school busing in Utah. San Juan, Logan and **MINUTES UTAH STATE PRIVATIZATION POLICY BOARD April 14, 1998 Page 3**

part of Ogden have successfully privatized their school busing programs. Based upon their experience, Salt Lake School District didn't see any reason not to privatize. "I think it was just our particular situation, our proximity to television stations and Tran Spec's local management unwilling to make changes that were clearly needed," Kay Pope summarized.

In April, Tran Spec came to Salt Lake School District and indicated to them that they were not making a profit and could no longer render their service unless they could get more money. At that time the Salt Lake School District felt it was in their best interest to dissolve the relationship and take the busing program back. Since then, Salt Lake School District has regained public support and bus drivers support.

Lee Eaton - Mountain States Analytical

Mr. Kesler then turned time over to Douglas Later of Mountain States Analytical for a presentation on environmental testing laboratories. Lee Eaton, Vice President of Mountain States Analytical, notified the board at this time that Mr. Later was unable to attend the meeting due to a family emergency and that he [Mr. Eaton] would be stepping in for Mr. Later and make their presentation.

Mr. Eaton's purpose in coming before the board was to represent the interests of the Utah Independent Laboratory Association (ATTACHMENT B). They analyze soil and water samples by approved analytical chemistry methods to help clients achieve compliance with environmental regulations. Their industry is small in Utah and last year did an estimated volume of \$15,000,000 in revenue.

Mr. Eaton feels that independent labs are faced with government competition from several sources within the State. These include the State itself, Counties, Municipalities and Higher Education. This competition is especially burdensome on their industry because they are so small. For example, last year Mountain States Analytical did about \$3,000,000 of work. They paid about \$300,000 in state and local taxes including income tax, sales tax, property taxes and licenses and fees. In addition, their revenue was reduced because of government subsidized competition. Mr. Eaton argues that other industries do not have to compete with the government so they don't pay this hidden tax. Mr. Eaton estimates this tax cost the independent lab industry within Utah about \$6,000,000 last year. Therefore, Mr. Eaton argues that when society employs people in government to perform commercial activities, we are really increasing the burden of government on the economy. Government should regulate the work but not do the work. Case in point, waste disposal. The EPA requires Municipalities to test their waste when they put it in a municipal land fill. They have to test their ground water and soil contamination for metals that are dangerous to the public such as lead. Some of this testing is done by private labs and some is done by the State. Mr. Eaton would prefer that all the testing should go to private industry. Mr. Eaton continued saying, "we are properly certified by the State Laboratory to independently test these things, but it is a conflict of interest and self defeating for the State to certify us and also compete with us."

In closing, Mr. Eaton asked the board to advise state government, county government, municipal government and higher education to cease competing with them and to out-source their environmental test work to the private sector. He also encouraged the Board to introduce legislation that will prohibit the government from engaging in commercial activities. This legislation he feels will

MINUTES UTAH STATE PRIVATIZATION POLICY BOARD

April 14, 1998

Page 4

eliminate current conflicts of interest, reduce the burden of government on the citizens of Utah and improve Utah's free market economy thus contributing in every way to a wealthier society.

Charles Brokopp - Div. of Epidemiology and Laboratory Services

Mr. Kesler then turned time over to Charles Brokopp, the Director, Department of Health, Division of Epidemiology and Laboratory Services, to briefly present the other side of the argument.

The Utah code clearly describes the duties of the Utah Department of Health in great detail. Some of those duties include the establishment of laboratory services to support public health programs and medical services here in the state. It also spells out that the Department of Health is to establish and enforce standards for laboratory services that are provided by any laboratory in the state when the purpose of the service is to protect the public health. The code also indicates that the Department of Health is to establish and to operate programs necessary for the promotion and protection of the public health. One of the core functions of public health in every state in the nation is to provide essential laboratory services to support those programs. Every state has a public health lab. These labs provide some form of clinical testing to support publicly funded entities and to provide laboratory services for regulatory agencies of the state government.

The public health lab in Utah has a long tradition of meeting the needs of the citizens of the state. The State

laboratory receives many phone calls for lead testing. These requests are referred to an environmental testing laboratory near the site to be tested.

Regarding landfill monitoring, the State Lab does not do landfill monitoring testing. However, one exception to that rule would be if a county government is having some type of a problem. Generally problems will surface when samples are taken and are sent to a private laboratory for testing and another sample is sent to another laboratory and the results are inconsistent. Mr. Brokopp indicated that the State then makes their lab services available to help sort out the inconsistencies. Mr. Brokopp also indicated that the State Lab has never in any way actively gone out and promoted their services to anyone other than the state, federal or local entities that are supported by tax revenues. The mission for the public health laboratory here in Utah is to provide essential laboratory services to publicly funded entities.

Privatization Issues Survey

Mr. Kesler then turned time over to Mr. Richins, to give the results of the potential privatization issues survey (ATTACHMENT C). Mr. Kesler recommended that the Board pick low profile, doable projects to showcase what privatization can do for the people of Utah. Mr. Kesler then suggested forming subcommittees to gather information for the Privatization Policy Board. Mr. Kesler asked Mr. Barton to chair a subcommittee to study the transit services issue. Mr. Barton accepted and indicated he would contact Senator Poulton and see if he would like to participate on this transit services subcommittee. Mr. Kesler then volunteered to chair the subcommittee studying vehicle emissions and registration. Mr. Dansie volunteered to be on Mr. Kesler's subcommittee. Representative Stephens indicated that she would like to see a subcommittee do a study on private prisons for DUI offenders. Mr. Durbano volunteered to chair this subcommittee and Representative Stephens and Senator Suazo volunteered to participate on this subcommittee.

MINUTES

UTAH STATE PRIVATIZATION POLICY BOARD

April 14, 1998

Page 5

Mr. Richins then briefly discussed per diem and mileage reimbursement for board members attending the policy board meetings.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, May 12. (Location to be announced at a later date.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
May 12, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Douglas Durbano
Fred Hunsaker	Merwin U. Stewart
Thomas Bielen	Rep. Brent Goodfellow
Senator Pete Suazo	

Visitors:

Kevin Jacobs, Salt Lake County Assessor
Lee Gardner, Salt Lake County Assessor
Viola Bodrero, Utah State Tax Commission
Rod Marrelli, Utah State Tax Commission
Bart Blackstock, Dept. of Public Safety
Dave Beach, Dept. of Public Safety
David Salisbury, The Sutherland Institute
Robert Lockyer, Small Business Leg. Task Force

Excused:

William Barton
Jay B. Dansie
Steve Price

Not Present:

Melanie Hall
Senator Poulton

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held April 14, 1998 were approved following a motion from Rep. Stephens.

MOTOR VEHICLE LICENSING and REGISTRATION

Mr. Kesler invited Lee Gardner and Kevin Jacobs from Salt Lake County and Viola Bodrero and Rod Marrelli from the State Tax Commission to address the Board regarding motor vehicle licensing and registration.

Mr. Gardner said that just the day before Salt Lake County had elected to give the motor vehicle functions back to the state because the Legislature didn't allocate enough funds to cover costs that Salt Lake County incurs.

When Salt Lake County took over the motor vehicle licensing and registration they wanted to implement programs that would make it easier for the public to license and register their cars. Subsequently, three types of outsourcing or third party registration programs were implemented.

- 1) 18 different I/M stations in Salt Lake County were authorized to issue motor vehicle renewals. (The individual incurs an additional \$10.00 fee if this method is utilized.)
- 2) New car dealerships were authorized to supply license plates to their customers immediately upon the purchase of a new car.
- 3) The Independent Auto Dealers Association were authorized to handle plate and title functions.

Next a discussion regarding renewing registration by mail ensued. Renewal by mail is used only by 30-35% of people. The percentage is less outside of the Wasatch Front. Mr. Marrelli feels that to make the mail program

successful there needs to be an incentive/disincentive for people. For example, give a \$5.00 discount if an individual renews by mail or charge a \$5.00 fee if they do not.

Mr. Jacob visited Arizona last year and was impressed with the program they have implemented there. Essentially, Arizona has joined in a partnership with third party vendors to provide DMV services. This partnership decreases time spent in DMV offices, uses free market to provide customers with more choices, increases service availability, and the service is at no cost to the State.

Senator Suazo requested that the State Tax Commission recommend some changes that might be pursued by the Legislature and submit it to this committee so they can include in its annual report to the Governor's Office.

In conclusion, Mr. Jacobs stated that privatization is the natural direction to go. He believes it can work, that this is the time to do it and the citizens of Utah are ready for it. He encouraged the committee to do whatever it can to promote privatization in this area.

DRIVER LICENSING

Mr. Kesler feels that the same problems exist with driver licensing as it does with the licensing and registration of motor vehicles. Therefore, Mr. Kesler invited David Beach

and Bart Blackstock to address the board. Mr. Beach pointed out that they operate in a different environment than the State Tax Commission. Since 1951 the responsibility for driver licensing has fallen under the Department of Public Safety since this function is more law enforcing rather than a revenue source. However, they too have been implementing outsourcing in various areas:

- 1) Since 1990 much of the written and road testing are taking place in the public high schools.
2. The majority of the 40 thousand new 16 year old drivers each year go through driver education classes taught through the public high schools.
3. There are 22 commercial driving schools in the state that teach roughly 5,000 people yearly to drive. These schools are not allowed to do any written or road testing at this point due to the liability issue.
4. The Commercial Licensing program came into existence in 1989 from a federal initiative which established a separate tier of licensing that is referred to as CDL or Commercial Driver Licensing. Utah currently has 1.3 million drivers and between 65-70,000 of them are CDL holders. In the CDL program, the state has third party examiners, such as England Trucking Company, that conduct a majority of the testing.
5. The insurance verification database has been outsourced to a third party vendor.

Mr. Kesler invited Mr. Beach and Mr. Blackstock to come back in August to give a comparison of the way Arizona driver licensing operates in a mostly privatized fashion versus how Utah operates.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, June 9th at 9:00 am in Legislative Room 225.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
June 9, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Douglas Durbano
Merwin U. Stewart	Fred Hunsaker
William Barton	Thomas Bielen
Rep. Brent Goodfellow	Steve Price
Senator L. Steven Poulton	

Visitors:

Senator Howard A. Stephenson
Ed Radke, Coalition for Accountable Government
Drew Chamberlain, Coalition for Accountable Government
F. Kenneth Olafson, Coalition for Accountable Government
Bernie R. Diamond, Management & Training Corp
Michael Murphy, Management & Training Corp
David Salisbury, The Sutherland Institute
Robert Lockyer, Small Business Leg. Task Force

Excused:

Jay B. Dansie
Senator Pete Suazo

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held May 12, 1998 were approved following a motion by Representative Goodfellow.

Senator Howard A. Stephenson - S.B. 180

Mr. Kesler then turned the meeting over to Senator Howard A. Stephenson who gave a brief presentation on Senate Bill 180. The purpose for this legislation was to create a Privatization Enterprise Review Commission and to statutorily prohibit certain types of government competition with the private sector. This Private Enterprise Review

Commission would have the legal authority to decide the legitimacy of a complaint and then to hear that complaint and would also have the ability to issue an order that is enforceable in the courts. The final version of the bill established two areas,

environmental testing services and public pharmacies, that would not allow government to compete with the private sector. Senator Stephenson intends to sponsor similar legislation in the coming year.

Representative Goodfellow stated that he would like to see what this current board could accomplish rather than introduce legislation to implement the proposed Privatization Enterprise Review Commission.

Mr. Barton expressed his approval of this bill stating that it sets forth the mechanics to look at unfair government competition issues. Mr. Barton then made a motion that the Privatization Policy Board should go on record as endorsing the "*general concept*" of S.B. 180 and that the final bill should be brought before the Board subject to a final review before receiving full endorsement. Mr. Durban o seconded the motion. The motion was approved with three opposing votes by Mr. Bielen, Mr. Hunsaker and Representative Goodfellow.

Douglas Durban o - Privatization of Prison Facilities

Because of time constraints Mr. Durban o's subcommittee presentation was postponed until Tuesday, August 11, 1998.

Bill Barton - Transit Services

Time was then turned to Mr. Barton for his subcommittee's presentation on Transit Services. Mr. Barton introduced Ken Olafson the past chairman for the Coalition for Accountable Government to discuss his study "A Case for Competitive Contracting of Public Transit Services." Mr. Olafson basic points are 1) operating costs per mile are escalating on a yearly basis; 2) costs per passenger per mile are escalating on a yearly basis; 3) income per passenger is minuscule in rate of increase per past year; and 4) the total passenger per mile is decreasing. Therefore, according to Mr. Olafson present day bottom-line profits attributed to UTA appear to exist only as a result of taxpayer funded subsidies. He recommends other avenues such as competitive contracting which can result in improved services with less subsidies by local and national taxpayers. Case in point, Miami, Florida has approximately 400 private passenger vans carrying 50,000 passengers a day without taxpayer subsidy. UTA uses approximately 280 (40ft.) buses to carry the same number of passengers in Salt Lake County with at least a \$23 million annual subsidy. Competitive contracting results in greatly improved public transit cost effectiveness because a competitive environment produces products for lower costs than a non-competitive environment. Competition is better than a monopoly. "The purpose for competitive contracting the supply of the UTA's services is not to question the integrity or impugn the services supplied by UTA. Instead, the purpose is to install a "market mechanism" into a monopolistic environment," stated Mr. Olafson.

Mr. Kesler closed the meeting with a reminder that there would be no Privatization Board meeting for the month of July. Meetings would resume August 11, 1998 at 9:00 a.m in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
August 11, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Thomas Bielen
Merwin U. Stewart	Fred Hunsaker
William Barton	Jay B. Dansie
Senator Pete Suazo	Rep. Brent Goodfellow

Visitors:

Blair Evans, Dept. of Corrections
Dave Beach, Dept. of Public Safety
Skip Nielsen, Dept. of Public Safety
Bart Blackstock, Dept. of Public Safety
Ferris Groll, Dept. of Public Safety
Jimmie Stewart, Management & Training Corp.
Bernie R. Diamond, Management & Training Corp.
David Salisbury, The Sutherland Institute

Excused:

Douglas Durbano
Senator L. Steven Poulton
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held June 9, 1998 were approved following a motion by Mr. Stewart.

DRIVER LICENSING

Mr. Kesler then turned the meeting over to Mr. Beach, Mr. Blackstock and Mr. Nielsen to give a brief presentation on the report compiled by Mr. Nielsen entitled, *Privatization and Partnership initiatives in Arizona and Oregon Driver Licensing Agencies*. A copy of Mr. Nielsen's report is attached.

Representative Goodfellow made a motion that the Privatization Policy Board go on record as supporting the concept of, or at least exploring the possibility of preparing legislation to consolidate driver licensing and vehicle registration functions. The motion was seconded by Mr. Barton and was approved unanimously.

Mr. Barton then requested that Mr. Richins and Mr. Dansie research and identify any statutory or legal impediments that might negatively impact privatization of these areas including any statutes that may need to be amended. The results of this research would then give the Privatization Policy Board direction towards drafting a resolution to get this process moving.

MANAGEMENT & TRAINING CORPORATION

Mr. Kesler then turned the balance of the meeting over to Bernie R. Diamond, Sr. Vice President of Management & Training Corporation (MTC) of Ogden and Jimmy Stewart, warden of the Promontory facility in Draper, Utah operated by MTC. MTC was founded in December of 1980 by acquiring the business of the Education and Training Division of the Thiokol Corporation. The correction facility management has grown to become a major division of MTC. MTC operates a 424 bed correctional facility for California; a 450 bed substance abuse treatment facility for Arizona; a 1,700 bed state jail for Texas; a 48 bed juvenile facility for Garza County; and a 400 bed pre-release and return-to-custody facility for Utah.

In July 1994, Utah awarded MTC with a contract to build and operate a 400 bed pre-release, probation and parole violator center in Draper. The Promontory facility provides short-term programming in a secure setting for inmates who are serving the final 90 days of their sentence. Mr. Stewart pointed out that Promontory gives the inmates educational programs including substance abuse treatment, literacy and life skills courses, family counseling, individual and group therapy, employment searches and job skills assessment.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, September 8 at 9:00 am in Legislative Room 416.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
September 8, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Thomas Bielen
Merwin U. Stewart	Fred Hunsaker
William Barton	Jay B. Dansie
Steve Price	Rep. Brent Goodfellow

Visitors:

Bob Ward, Standard Examiner
Michael Packard, Concerned Citizen

Excused:

Douglas Durbano
Senator Pete Suazo
Senator L. Steven Poulton

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held August 11, 1998 were approved following a motion by Mr. Stewart.

RESOLUTIONS

Mr. Kesler then turned the meeting over to Mr. Barton to review his two busing resolutions.

Mr. Barton distributed a resolution regarding UTA Bus Contracting to the Board.

Rep. Goodfellow pointed out that this resolution was too premature and that UTA should have an opportunity to come before the Board and present a response to Mr. Olafson, Coalition for Accountable Government, June 9, 1998 presentation. Mr. Barton agreed and withdrew his motion. Mr. Richins was then assigned to contact John English of UTA and invite him to the November meeting giving him an opportunity to respond to Mr. Olafson's presentation.

Resolution - Private Bus Contracting for Utah School Districts (Attachment A)

A motion was made by Mr. Barton and seconded by Rep. Stephens. This resolution passed with one dissenting vote by Mr. Bielen. Rep. Stephens asked that this resolution be sent to the State Office of Education and recommend that they distribute it to the school districts.

Mr. Richins then passed out a letter (Attachment B) from Kay Pope, Director of Purchasing for Salt Lake City School District, dealing with an issue that the Board needs to be aware of that may negatively impact the privatization of school busing. Salt Lake City School District has been in a litigation proceeding over the exemption of fuel tax for Tran Spec's use of fuel for the transportation of the District's children. The Tax Commission prevailed over the District on this issue. The School District feels that this decision places a significant impediment in the path of future privatization efforts.

STATUARY IMPEDIMENTS RESEARCH UPDATE

At the last board meeting Mr. Richins and Mr. Dansie were asked to investigate whether there were any statutory impediments to greater privatization in the areas of motor vehicle registration and driver license renewals. In response, Mr. Richins and Mr. Dansie explained how they sat down with the databases of all the state codes and rules and searched the sections that would apply to those particular agencies. Once having found these sections they researched to see if they could identify any statutory impediments. Their analysis concluded that there were none. However, they felt it best to write to Rod Marrelli at the State Tax Commission and also to Dave Beach at the Driver License Division and asked them if they would also review their statutes and identify any impediments they may have missed. Both Mr. Marrelli and Mr. Beach were invited to present their findings before the Board, or if more convenient, submit their findings in writing. These findings may be available at the next meeting.

RECOMMENDATIONS FOR ANNUAL REPORT

Mr. Kesler reminded the Board that in December he would like the reports from each committee to be ready to submit to the Governor. He recommended that each committee make their reports short and concise.

OTHER BUSINESS

Mr. Kesler then reviewed the presentations the Board has heard so far this year and asked if anyone would be opposed to hearing one more presentation dealing with either education or adoption services. Rep. Stephens said she would like to see the Board invite the State Adoption Advisory Council to come and give a report on their privatization efforts during the November privatization meeting.

Rep. Stephens than mentioned she had two items she wanted to point out. First, if the Board plans to study and possibly create a piece of legislation regarding Byron Fisher's recommendation for getting the Legislature to provide tax exemption for all privatization contracts, then the Board should not wait much longer. Second, by statute, when a state agency has a proposal to privatize part of the services that they render, they are required to present their plan to the Privatization Policy Board prior to implementation. Board members decided that a notification letter should go out to all agencies outlining this requirement. However, before sending out this letter, Rep. Stephens asked that all Board members study the current statue and Senator Howard Stephenson's proposed bill and think about ways to make this Board a more effective resource.

Michael Packard, Sandy City Engineer, asked permission to come before the Board. He testified about the challenges the Board would have in recommending privatization of UTA because of the dollars flowing from Washington D.C. rewarding an inefficient system.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, October 13 at 9:00 am in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
October 13, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Fred Hunsaker
Jay B. Dansie, Vice Chair	Rep. Nora Stephens
Douglas Richins, Secretary	Thomas Bielen
Merwin U. Stewart	Senator Pete Suazo
William Barton	Senator L. Steven Poulton

Visitors:

H.L. (Pete) Haun, Utah Dept. of Corrections
Gary Dalton, Utah Division of Youth Corrections, Dept. of Human Services
Bob Ward, Standard Examiner
David Salisbury, The Sutherland Institute

Excused:

Douglas Durbano
Steve Price
Rep. Brent Goodfellow

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held September 8, 1998 were approved following a motion by Mr. Hunsaker.

UTAH DEPARTMENT of CORRECTIONS

Mr. Kesler then turned the meeting over to H.L. (Pete) Haun, Executive Director of the Utah Department of Corrections to give a presentation on his Departments' efforts with privatization. "Corrections has been growing dramatically over the last 10 years. In an attempt to address this growth, Corrections has pursued a number of options, utilizing other public sector and private sector entities to provide needed services and housing (Attachment A). However, because of the nature of the offender population, some of this growth must remain under direct control of the state. Our plan for dealing with growth in the next five years combines increasing state operated services while also adding to our contracts with private and public organizations," stated Mr. Haun. Corrections has a three pronged approach: 1) Utilizing privatized correctional facilities; 2) Contracting with county jails; and 3) Increasing some state facilities.

UTAH DIVISION of YOUTH CORRECTIONS

Once Mr. Haun was finished with his presentation, Mr. Kesler turned the meeting over to

Gary Dalton, Director of the Utah Division of Youth Corrections to give his presentation on Youth Corrections' efforts with privatization. "Over the last five years Youth Corrections has experienced an increase in youth offender populations. This growth stems from public policies set out by the Legislature, Executive Branch and/or Judicial Branch rather than by population growth. Like Corrections, some of Youth Corrections growth must remain under direct control of the state. Consequently, no more than 25 to 30% of any project is privatized within Youth Corrections. Mr. Dalton distributed a one page handout **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

OCTOBER 13, 1998

Page 2

identifying the current private sector contracts Youth Corrections utilizes (Attachment B).

Mr. Dalton mentioned four points regarding Youth Corrections' experience with privatization: "1) Youth offenders are wards of the state and not of the private entities. Therefore, the state is always going to be liable for the kids. If something goes wrong with the private entity, it is our necks on the line; 2) Most of the time we have utilized a design build operation, private entities want their profit margin built in. Consequently, these automatic adjustments become problematic to the state; 3) There is no profit margin in smaller facilities. Youth Corrections would be happy to entertain privatizing the smaller facilities, but we have no private entities that want to bid; and 4) One major advantage of privatization is the federal government will reimburse us Medicaid dollars for privately run institutions whereas they won't reimburse state institutions." This federal reimbursement is a 6 to 8 million dollar revenue source for Youth Corrections every year.

STATUARY IMPEDIMENTS RESEARCH UPDATE

Mr. Richins distributed a letter from David Beach, Driver License Division, responding to the Board's request for a review of their statutes that may negatively impact privatization (Attachment C).

OTHER BUSINESS

The Board decided to invite Byron Fisher to the December Privatization Policy Board meeting to discuss his recommendation to the Legislature regarding giving an exemption from state taxes on all privatization contracts.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, November 10 at 9:00 am in room 414 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
November 10, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Douglas Richins, Secretary
William Barton
Merwin U. Stewart
Thomas Bielen
Douglas Durbano

Rep. Nora Stephens
Rep. Brent Goodfellow
Senator Pete Suazo
Senator L. Steven Poulton

Visitors:

Bob Ward, Standard Examiner
Bob Lockyer, Small Business Leg. Task Force
Drew Chamberlain, Coalition for Accountable Government
Les England, Adoption Advisory Council
Ken Montague, Utah Transit Authority
Steve Booth, UTA Local 382

Excused:

Jay B. Dansie, Vice Chair
Fred Hunsaker
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held October 13, 1998 were approved following a motion by Mr. Barton.

ADOPTION ADVISORY COUNCIL

Mr. Kesler then turned the meeting over to Les England, Chairman of the Adoption Advisory Council, to give a report on their research into privatization of adoptions. The Advisory Council was appointed by the Governor and the Division of Child & Family Services and is chartered to hear issues regarding foster care and adoption functions.

One issue Rep. Stephens brought before the Advisory Council was the issue of privatization of adoptions. The State of Kansas has privatized their entire foster care system for the last three years with great success. Under their contract, it costs the state of Kansas \$13,000 per adoption. Rep. Stephens wanted to adopt Kansas' plan, but wanted the Advisory Council to research into it further to see if it would work in Utah. The Advisory Council's preliminary conclusion, After six to eight months of research, is that the Kansas model is not going to work in the state of Utah. There are two reasons: 1) There are no private agencies here that are willing to undertake this type of a program or system regardless of the money that may be paid to them; and 2) The Division of Child & Family Services is actually doing a better job than 80% of the private agencies outside the state.

Consequently, the Advisory Council has adopted the approached towards this issue that "if it isn't broke don't fix it." Senator Poulton expressed some concern with the management of the Division of

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
November 10, 1998
Page 2

Child & Family Services. Mr. England agreed, "We don't think our system is completely broke, we think there are flaws in the Division of Child & Family Services, there are definitely some problems they have had and continue to have, but to throw the whole system out and then try to turn it over to the private sector is not financially feasible or practical since no private agencies are interested in taking it on. If a "gatekeeper" agency could be created, then the Adoption Advisory Council would support the concept of privatization."

Instead, of turning the entire foster care program over to the private sector, the Advisory Council has broken down the whole foster care system into three separate areas: 1) recruitment of appropriate families; 2) permanent placement; and 3) post-placement support. The Advisory Council is currently researching each of the three areas to determine if there are certain aspects that may be subject to and may be appropriate for the private sector. Mr. Richins questioned if the Advisory Council or the Division of Child & Family Services had ever contemplated experimenting with privatization of this function by trying to solicit proposals to provide adoption services for a smaller portion of the state. Mr. England indicated that they had not discussed this.

The Board decided to invite to the December meeting Robyn Arnold-Williams, Executive Director of Human Services, and Ken Patterson, Director of the Division of Child & Family Services, to address the issue of Privatization of Adoptions. (Note, both Ms. Arnold-Williams and Mr. Patterson are unable to attend the December meeting. Both would like to come to the following meeting to address this issue.)

UTAH TRANSIT AUTHORITY

Once Mr. England was finished with his presentation, Mr. Kesler turned the meeting over to Ken Montague, Finance Director for Utah Transit Authority to give his presentation on UTA's efforts with privatization. A copy of the history of privatization at UTA is attached.

"Private sector involvement in UTA programs will be continued whenever feasible and when consistent with UTA operational goals. Private sector participation will be encouraged in the provision of new and/or expanded transit services where cost effectiveness and consistency with UTA's Strategic Plan can be documented," said Mr. Montague.

OTHER BUSINESS

Mr. Kesler reminded the Board about their position papers. "Write a one page position paper and forget the legalities. Remember, our position is to give an objective view in a short report and from that we are going to accomplish something," said Mr. Kesler.

Mr. Richins brought to the Board's attention that the resolution for school busing passed in September's meeting contained inaccurate information. Logan School District, identified as currently using private busing, does not contract with the private sector, but contracts with another school district. Mr. Kesler asked Mr. Barton to correct the resolution and bring it before the Board at the December meeting.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, December 8 at 9:00 am in room 414 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
December 8, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman

Douglas Durbano

Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Thomas Bielen
Sharlene McFarland

Fred Hunsaker
Rep. Nora Stephens
Senator Pete Suazo
Senator L. Steven Poulton

Visitors:

Michael Hepner, Utah School Employees Association
David Winder, Utah Dept. of Community & Economic Development
M. Byron Fisher, Attorney at Law

Excused:

Rep. Brent Goodfellow
Merwin U. Stewart
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Mr. Kesler invited the newest board member, Sharlene McFarland, to introduce herself. The minutes of the previous meeting held November 10, 1998 were approved, with one correction and an addition to the language, following a motion from Mr. Barton.

TAX IMPLICATIONS ON PRIVATIZATION EFFORTS - M. Byron Fisher

Mr. Kesler then turned the meeting over to M. Byron Fisher, a private attorney who represents Salt Lake School District, to discuss his litigation over the exemption of fuel tax purchased by Salt Lake School District and used by its former school busing contractor, Tran Spec. The Tax Commission ruled against the school district and required payment of tax on the fuel because Trans Spec "used" the fuel, even though the use was for a public purpose. A copy of the ruling was provided to the board in a previous meeting. Mr. Fisher feels that this decision places a significant impediment in the path of future privatization efforts. "We took that case to the Tax Commission in litigation because we wanted a decision as to what was intended as the term of "use" of fuel and whether it would be taxed. We knew what the decision would be, but by obtaining a decision in that form we can then propose to the Legislature to redefine the term "use" for the propose of avoiding one governmental entity paying taxes to another governmental entity when all the money comes from the same pot,"stated Mr. Fisher.

Mr. Durban o commented to the Board that if they are going to make a recommendation to the Legislature or the Governor the goal should be that a government agency should not tax another government agency. Mr Durban o made a motion that the Board should issue a statement or a short letter as part of their report that in order to allow privatization or to encourage privatization the Legislature should adopt the goal of fairness in taxation that a private entity providing the privatized function for a public entity would be taxed to the same degree for services rendered to a school district **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

December 8, 1998

Page 2

or a governmental agency as that governmental agency would be taxed. Mr. Barton seconded Mr. Durban o's motion. Mr. Bielen commented that he was reluctant to consider Mr. Durban o's motion for three reasons. First, this is legislation that hasn't been run or sponsored yet; second, the burden of taxes has never been an issue in any of the

presentations heard before the Policy Board; and third, private entities are for profit. If taxes are waived for them wouldn't the state be subsidizing them? Mr. Barton agreed and suggested that the aim should be to get the resolution on the interim study list for next year. Mr. Kesler asked Mr. Durban o to write a short formal resolution and bring to the next meeting.

PROPOSED PRIVATIZATION OF THE DCED NATIONAL BUSINESS RECRUITMENT FUNCTION

Mr. Richins introduced David Winder, Executive Director of the Utah Dept. of Community & Economic Development who's purpose before the Board was to provide notice of his department's intent to privatize National Business Recruitment function within the Division of Business Development. Mr. Winder indicated that presently there are two organizations that recruit business to Utah; the Economic Development Corporation of Utah which is a public private partnership and is centralized in Salt Lake County and the National Business Recruitment Group within the Department of Community & Economic Development. The two groups duplicate each other and cause confusion among business out of state. Neither of these two organizations has enough critical mass, or funding to employ specialist in certain areas, such as in recruiting high technology firms. Mr. Winder feels that these problem would be solved if these two organizations were combined. A task force studied this problem and they recommended that these two organizations be combined under the Economic Development Corporation of Utah, though Mr. Winder indicated that the privatization would happen via a competitive Request for Proposal process and any firm could respond and be considered as the private contractor. He indicated that none of the affected employees were career service employees. The state employees would be loaned to the private contractor for a period of about 6 months, then they would be offered the option of either becoming employees of the private contractor, or perhaps be offered another position at DCED.

UTAH SCHOOL EMPLOYEES ASSOCIATION - SCHOOL BUSING

Michael Hepner, Executive Director of the Utah School Employees Association appeared before the board to comment on the Board's resolution regarding private bus contracting for school districts. His organization represents public school bus drivers. After Mr. Hepner reviewed the resolution he requested to meet with the board. He verbally presented his arguments against the resolution. Mr. Hepner's comments are contained in the attached letter, which he submitted to the board, dated December 7, 1998. (Attachment A)

RESOLUTIONS

Mr. Kesler then turned the meeting over to Mr. Barton to review his two busing resolutions.

Resolution - Private Bus Contracting for Utah School Districts (Attachment B)

Following discussion and rewording, a motion was made by Rep. Stephens and seconded by Mr. Durban to approve the resolution on attachment B on Private Bus Contracting for Utah School Districts and to replace this resolution with the one adopted on September 8, 1998. The resolution **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

December 8, 1998

Page 3

was approved with two dissenting votes by Mr. Bielen and Ms. McFarland. Rep. Stephens asked that this resolution be sent to the State Office of Education and recommend that they distribute it to the school districts. Senator Suazo asked Mr. Richins to correspond with the school districts mentioned in the resolution who are currently contracting with private companies to provide their school bus services and ask them what their experience has been with private school bus contracting.

Resolution - UTA Bus Contracting (Attachment C)

A motion was made by Rep. Stephens and seconded by Mr. Durban to approve the resolution offered by

Mr. Barton regarding UTA Bus Contracting (found on Attachment C). This resolution passed with two dissenting votes by Mr. Bielen and Ms. McFarland. Rep. Stephens asked that this resolution be distributed to UTA board members.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Wednesday, January 13, 1999 at 9:00 am in room 5112 of the State Office Building. (Subsequently the time of the next meeting was changed to 10:30 a.m.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
December 17, 1997
9:00 a.m.

Attendees:

Jim Kesler	Rep. Nora Stephens
Douglas Richins, Secretary	Rep. Brent Goodfellow
Thomas Bielen	Jay B. Dansie
William Barton	Steve Price
Fred Hunsaker	

Visitors:

Susie Adams, People Helping People
Amanda Singer, Utah Dept. of Human Services
Lee D. Eaton, Mountain States Analytical
David Salisbury, The Sutherland Institute

Excused:

Merwin Stewart
Douglas Durbano
Melanie Hall
Senator Poulton
Senator Suazo

Conducted by Douglas Richins, Secretary

Mr. Richins welcomed the board members and visitors to the meeting. Mr. Richins then invited each member of the board to introduce themselves and tell a little bit about their background so the board can get to know each other. Mr. Richins then provided an opportunity for the visitors to introduce themselves.

Mr. Richins then gave a presentation entitled Overview of Privatization Policy Board History and Status of Privatization in Utah State Government. A copy of his presentation is included as "Attachment A" to these minutes.

Mr. Richins then turned the balance of the meeting over to reorganizing the board from a leadership perspective. Mr. Richins subsequently proposed opening the floor for nominations of electing a chair. Rep. Stephens made a motion to elect a vice chair in addition to a chair. The motion was approved unanimously by the board. Rep. Stephens made a motion to nominate Jim Kesler as chair of the board. Mr. Kesler accepted and the motion was approved unanimously. Rep. Stephens made a motion to nominate Jay Dansie as vice chair. Mr. Dansie accepted and the motion was approved unanimously.

Mr. Richins then proposed that the board discuss items for the next agenda. Mr. Barton suggested that David Salisbury should return to the next board meeting and give a report on the conference the Sutherland Institute held this past summer regarding privatization. Mr. Barton then motioned that the board send a letter to each legislator stating the board's purpose and to request their input on privatization issues that they would like the board to examine. The motion was approved unanimously. Mr. Barton was assigned to prepare a draft of the letter to the Legislators. Mr. Barton also proposed the board issue a press release to let the public know that the Privatization Policy board has met and elected officers and to state the purpose of the board.

The next board meeting was scheduled for January 13, 1998 at 9:00 a.m. State Office Building (room number to be announced in meeting notice).

attachment